



Electro Optic Systems Holdings Limited

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The Manager
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sirs,

EOS Space Activities Update

Electro Optic Systems Holdings Limited (ASX: EOS) is pleased to announce the following strong developments in its three principal space business activities:

1. Space Surveillance

In the past decade, EOS has developed a range of new space tracking and information systems that aim to provide space information that is 10 times more sensitive, 10 times more accurate, and much lower in cost [per item of data] than currently-deployed technology.

During 2003 and 2004 EOS demonstrated the first laser tracking of space debris objects. In a project called "Razor View" EOS was able to demonstrate a capability to maintain orbital data for small [10 cm] space objects. Razor View was performed in Australia under joint Australia-USA defence arrangements, and focussed on orbit maintenance and tracking of known objects.

On 11 April 2005 EOS announced that it had entered into demonstration contracts with the Department of Defence for a project named "NEOT" [Near Earth Object Tracking]. The tests, conducted for the Commonwealth by USAF in Australia under extensions to the bilateral Razor View activity, required EOS to demonstrate rapid acquisition of "unknown" objects that have not previously been observed.

These tests were successfully completed in September 2005.

The Razor View and NEOT tests have established the capability and performance of the EOS acquisition and tracking systems, operating from a single site. Operational deployment of this technology may require the scalability of the technology to be demonstrated. This will involve a demonstration of full-scale systems operating simultaneously at different sites to confirm that the projected productivity increases are obtained.

During 2005, following acquisition of 12.4% of EOS stock by Northrop Grumman Space Technology ["NGST"], EOS and NGST formed a corporate team to exploit EOS' space technologies, particularly where there is synergy with NGST technologies.

Market support for the deployment of EOS space surveillance systems is being actively canvassed by the NGST/EOS space team.

2. Space Ablation

In October 2003 EOS was awarded a research and development grant of A\$8.3m by the Federal Government to research the use of lasers for the relocation or removal of debris from space. This research produced outstanding results in 2004.

At 31 December 2004 EOS sought, and was granted, a suspension of this grant for 6 months to allow the project objectives to be re-aligned with the 2004 research results. The project resumed on 1 July 2005.

The project is again achieving all its technical milestones and objectives on schedule, and is expected to validate the technical elements of a feasible system by 2007.

Although key aspects of the technical solution vary from initial [2003] concepts, the overall solution conforms closely to the business model used to justify this A\$30m research extension to the EOS technology base.

The potential market for this technology is very large. Strong revenues are projected for satellite re-positioning, space thrust, debris operations and defence applications.

The NGST/EOS space team will jointly address this market opportunity from 2006.

3. Telescopes and Enclosures

EOS has a long history of involvement in space technology through the commercial provision of telescopes and enclosures for space observation. EOS specialises in high performance and high quality instruments, and has progressively come to dominate the market for all telescope systems up to 3m in aperture.

In 2005 this business segment will achieve record revenues of A\$21m.

Yours faithfully,

Fred Bart

Chairman