



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

ASX Announcement

US Army Seeks up to AS\$1.2 Billion of CROWS Weapon Systems

The US Army has formally announced plans to procure up to 3,400 units of its Common Remotely Operated Weapon System ("CROWS") through a long-term 4-year contract. EOS estimates the potential cost of this contract, based on the upper volume of 3,400 units, to be more than AUD\$1.2 billion. The procurement is open to competition and proposals are due by 30 October 2006. The Army expects to award the 4-year production contract in May 2007.

The CROWS program was initiated through a competitive procurement by the US Army in 2001 to develop an advanced weapon system for use on lightly armoured or unarmoured vehicles. Electro Optic Systems Holdings Limited ("EOS") teamed with Recon Optical Inc. ("ROI") as prime contractor to win this contract and since then, all CROWS development and production contracts have been awarded to ROI/EOS.

CROWS' success in Army operations is well documented on Army internet sites, and the announcement of the new CROWS procurement is an endorsement of the system's effectiveness in force protection.

The ROI/EOS collaboration has delivered 300 CROWS up to 30 June 2006 and has contracts to supply another 300 units by 31 December 2006. The Company currently expects short-term contracts to continue until production under this long-term award can be implemented in August 2007.

EOS has invested heavily in CROWS technology and production capacity over the past 4 years. The CROWS system now in production and serving with US forces deploys proprietary EOS technology. Other potential bidders for the recently-announced procurement may offer technical alternatives, provided they are delivered to Army ready to be tested for specification compliance from 30 October 2006 as per the terms of the US army's request for proposals.

EOS welcomes, and will compete for, the Army's multi-year production contract.

Progress on Addressing Previously-Announced Telescope Project Over-runs

The Company continues to address previously-announced cost and schedule over-runs in its telescope operations relating to contracts executed in 2004. A dedicated management team has taken over these projects under a mandate to complete 50% of the projects by 31 December 2006 and the balance by 1 June 2007.

The Company will apply resources as required to meet these schedules, so that the issues relating to those contracts will be resolved within 10 months. The levels of resources required are still being determined, as some recovery actions require legal remedies to be applied by EOS. However the resources required will fall well within the Companies capability to deploy without detracting from its focus on growth businesses in space surveillance and military products such as CROWS.

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS has two main business divisions – military and space – where it develops, manufactures and sells highly sophisticated technology with a wide range of applications.

EOS's electronic weapons' fire control systems (EFCS) are already in wide use in, and highly regarded by, US forces in Iraq and another 450 will be delivered in 2006. In brief, EOS's control systems enable a weapon mounted atop a vehicle to be fired rapidly and highly accurately by a gunner safely inside the vehicle.

In its space division, EOS is as a manufacturer of telescopes and in technology to support space surveillance and space ablation. In space surveillance, EOS's laser tracking systems and computer technology can simultaneously track tens of thousands of orbiting objects – as small as 2 cm in diameter –while its space ablation technology and systems can alter the orbits of objects (e.g. satellites) in space

EOS has around 250 employees, based in Canberra Australia, Tucson Arizona and Deggendorf in Germany. The company also has manufacturing centres in Queanbeyan and in Tucson, Arizona which are now geared to deliver up to sixty EFCS units per month.