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US Air Force Announces A\$780 million “Space Fence” Budget Estimate

Electro Optic Systems Holdings Limited (EOS), which has invested more than A\$55 million over the past decade developing the next generation of space sensors, is pleased to note that the United States Air Force (USAF), for the first time, has announced a budget estimate for what’s known as a “Space Fence”. The preliminary estimates are for A\$780 million to be spent over six years from 2007.

The “Space Fence” is a USAF program to upgrade the quantity and quality of information on objects in space. This information is the basis for all military and commercial activities in space and the USAF is the agency responsible for providing all the United States Government requirements.

The USA and its allies are now highly dependent on space for communication, surveillance, intelligence, navigation, weapons delivery and weapon placement. The space environment presents both environmental and adversarial threats to defence assets, and these threats must be monitored. The quality and quantity of space information available to the US and its allies does not meet emerging needs to maintain and protect key defence assets, and an upgrade of the capability of the USA and its allies is now underway.

EOS has recently completed a 10-year program for the development of space sensors that meet or exceed Space Fence requirements and which, additionally, embody a range of desirable operational features. For example, the new EOS sensors are at least 10 times more sensitive and accurate than those presently in use. This research and development program was executed at a cost to EOS of over A\$55 million.

In addition to EOS investment, US and Australian government agencies have funded programs for testing and qualifying EOS space surveillance sensors. Demonstration programs such as “Razor View” and “NEOT” were conducted since 2004 by USAF in Australia with the cooperation of the Australian Department of Defence. All of these programs have been successful.

Although the need for improved space information has been known for some time and the Space Fence program launched 15 months ago, the USAF has only recently released the first budget estimates for the Space Fence.

These USAF estimates provide A\$780 million over 6 years from 2007. This initial funding estimate is for general purpose, ground-based sensors only, and includes neither airborne or space-

based sensors, nor sensor requirements for missile defence and asset protection. EOS estimates that total program requirements for all space sensors will exceed A\$3.5 billion over the next 7 years.

In January of 2005 EOS entered into a strategic agreement with Northrop Grumman Space Technologies ("NGST"), an operating entity of Northrop Grumman Corporation, specifically focussed on Space Fence and related applications. Activity under this agreement continues to intensify with a focus on near-term operational deployments of EOS sensors. Trials and demonstrations of the sensors and their inter-operability with existing space infrastructure continue at this time. These activities are meeting with success.

EOS believes that it is well-placed to participate in future procurements for the Space Fence and related programs.

In parallel developments, EOS is also negotiating directly with major commercial users of space for their access to space information obtained by the new EOS sensors. These negotiations are moving towards completion in 2007.

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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 380 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.