



DRONESHIELD

Quarterly Report

For the Quarter Ended
31 March 2019



Image: Australian staff with DroneGun Tactical™ units for shipment

DroneShield Limited (ASX:DRO)

ASX Release

ABN 26 608 915 859

DroneShield Ltd (ASX:DRO) (“DroneShield” or the “Company”) is pleased to provide the following update on its activities during the three-month period ended 31 March 2019 and its Appendix 4C quarterly cash flow report for the same period.

DroneShield believes that the quarter ended 31 March 2019 was transformational for DroneShield.

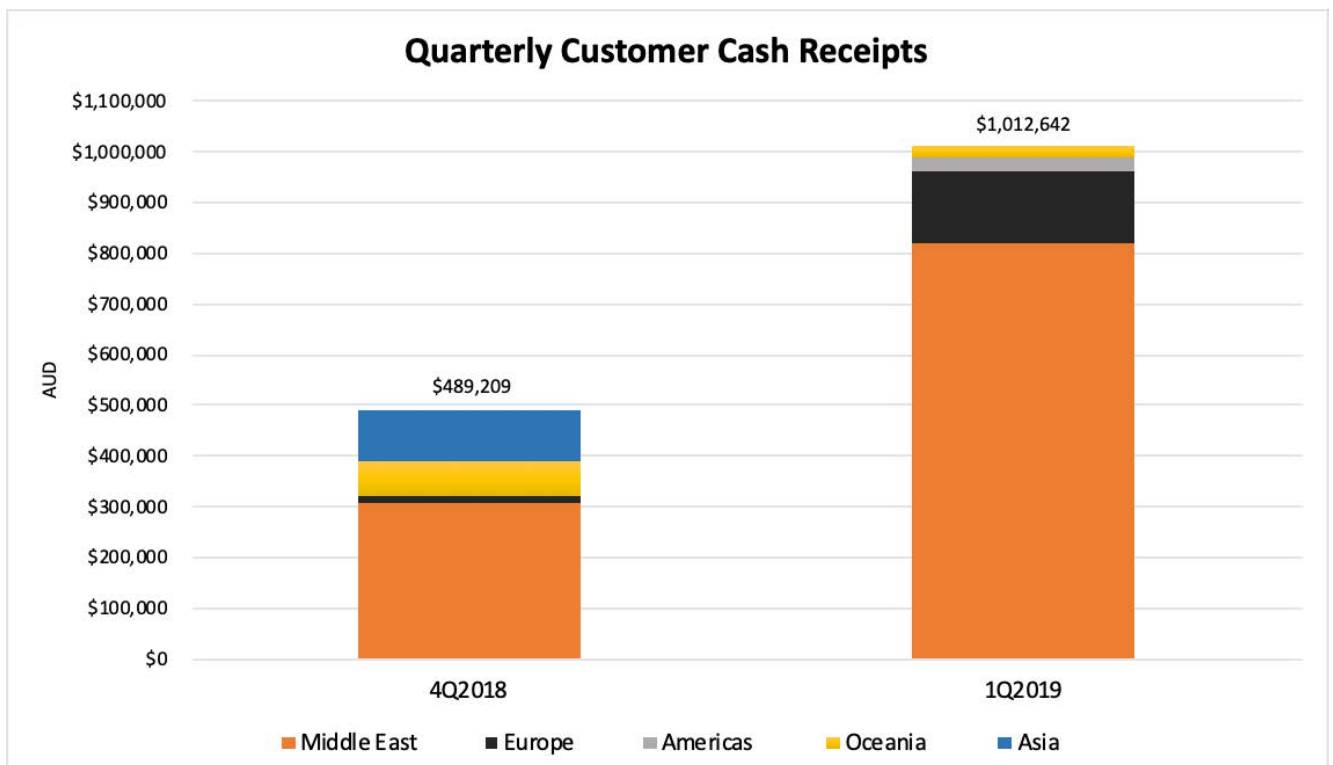
Financial Performance

Cashflows

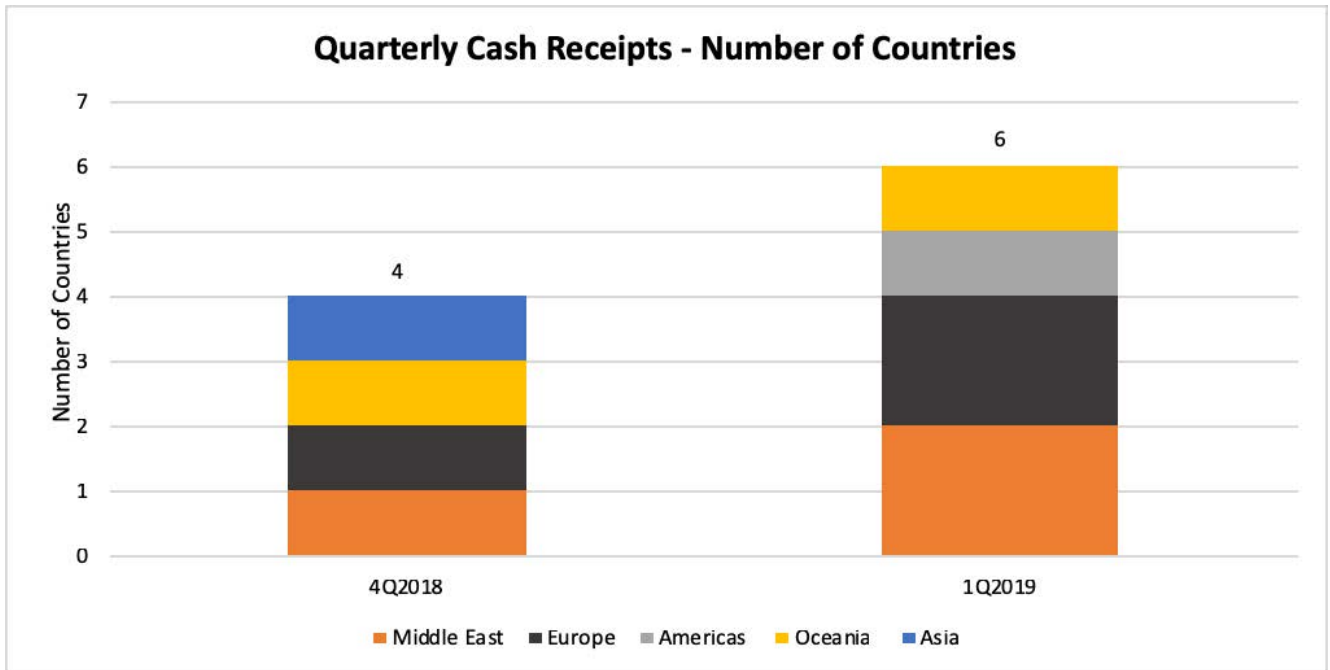
The revenue trend that started in the calendar 2018 continued during the quarter, and this was the first quarter during which the Company’s past commercialisation and marketing work resulted in customer cash inflows of over \$1 million for the quarter.

- ✓ **DroneShield generated total customer cash inflows of \$1,012,642 during the 31 March 2019 quarter, the highest quarterly cash inflows for the Company to date.**
- ✓ **The customer cash inflows for the quarter were 207% of the Company’s 31 December 2018 quarter cash inflows (which were \$489,209) and, year on year, 28 times higher than the Company’s 31 March 2018 cash inflows (which were \$35,708).**
- ✓ **The customer cash inflows for the quarter were nearly the same as those for the entire 2018 calendar year.**
- ✓ **Because of the increase in sales, net cash outflow for the quarter (before the capital raising inflow) was reduced to \$728,302 - approximately half of the quarterly “cash burn” of 2018.**

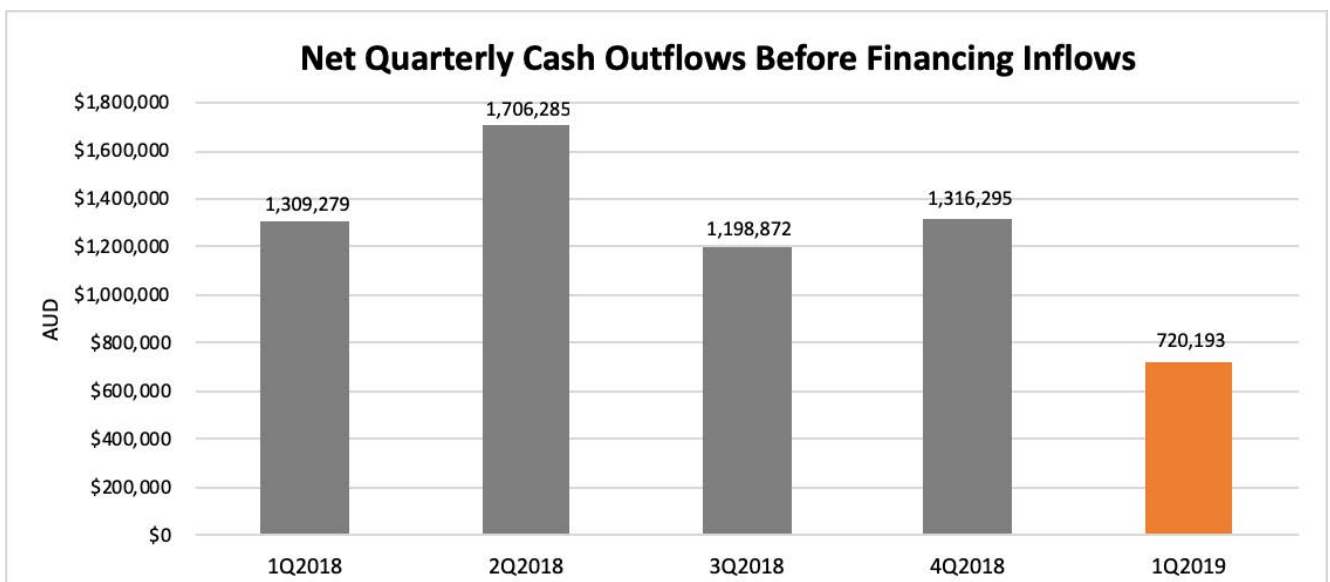
DroneShield’s Chairman Peter James commented, “Our board and advisors have substantial experience with companies in cutting edge industries that had not existed until a relatively short time period prior to the start of such companies’ businesses. I have seen this time and again in my career – at iiNet, nearmap and others – tilling the new emerging field takes time, but once a company has established itself as a leader in a new space, and once customers start adopting its products and services, the potential for a take-off in growth is very substantial. The DroneShield team is proud to be starting to hit that inflection point.”



DroneShield’s network of distributors has now grown to over 100 in over 70 countries globally, and over the recent year, the Company has focused on building out high profile partnerships with market leaders in various verticals and geographies (see the “Market Leadership Position” section below). As a result, importantly, these higher cash inflows came from a diversified range of locations globally, with orders from six countries contributing to the Company’s cash inflows during the quarter (compared to orders from four countries in the December quarter).



As mentioned above, the March quarter saw the lowest net cash outflows of any recent period, by far.



On 15 February 2019, DroneShield completed a \$1,299,696 placement. Subsequent to quarter end, the Company received \$485,351 in R&D Tax Incentive from the Australian Government. DroneShield has also received, and expects to continue to receive, other grants from the Australian government and the Virginia Commonwealth.

As at 31 March 2019, DroneShield had a combined cash balance of \$1,728,282 as outlined in the accompanying Appendix 4C. As of 8 April 2019, DroneShield’s cash balance has increased to \$2,067,576.

The March quarter gross cash outflow (before cash receipts from customers) was \$1,732,835. After customer receipts, the net March quarter cash outflow (before the proceeds of the placement undertaken during the quarter) was reduced to \$728,302. Similarly, as is required by the Appendix 4C format, DroneShield has estimated a gross cash outflow of \$1,610,000 for the current quarter, however, this gross cash outflow estimate will not be reflective of the Company's net cash flows, which are expected to be substantially more positive than the gross cash outflow after receipts from customers and grants.

The Company believes that, given the increase in sales and the consequent reduction (and the expected further reduction) in the "cash burn" and given the Company's cash balance, the Company has substantial "runway" to convert the opportunities in its near-term order pipeline into sales and cashflow (see the section "Near-Term High-Conviction Pipeline" below).

Order Book

The two-day closure of the Gatwick Airport in December 2018 resulting in substantial travel disruptions and economic damage substantially sharpened the focus of governmental decision makers globally on the urgent need for drone detection and mitigation products. This governmental focus on the need for solutions is particularly stimulated by the fact that since the Gatwick events, closures of, and incidents at, major airports have proliferated. In particular:

- A rogue drone shut down Dubai International Airport, the world's third busiest, for over 30 minutes, causing significant disruption.
- Heathrow Airport, Europe's busiest airport, was forced to ground flights for over an hour due to a drone sighting, prompting criminal investigations.
- Flights were grounded at Newark International Airport in New Jersey after a drone came within 30ft (9m) of an aircraft, putting lives at risk.
- Drones also caused flight disruptions at Dublin Airport, Frankfurt Airport and Malta International Airport.

Airport incidents, while very serious, are far from the only types of threats from drones that governmental and corporate decision-makers are seeking to protect the infrastructure, the militaries and law enforcement, and the general population against. Please see "Environment" below for a description of some of the other recent incidents.

Given the budget allocators' focus on the threat, DroneShield's firm order book continued to increase during the quarter, with new purchase orders. The orders set out immediately below are not sales leads in the Company's pipeline – rather, the order book immediately below sets out the executed, firm and unconditional purchase orders received from customers with contractually agreed payment timing, and payment for which has not yet been received by the Company either because the Company has not yet filled the order or because the Company has recently shipped the order and the payment is pending.

Deal	Region	Remaining Contract Value	Comments
1	Middle East	\$1,900,000	Amount that remains to be fulfilled and paid for from the previously issued and announced \$3.2 mil contract. Next progress payment expected within 4 weeks
2	Europe	\$550,000	Payment due within 90 days
3	Central America	\$100,000	Payment due within 60 days
	Total	\$2,550,000	

Near-Term High-Conviction Pipeline

DroneShield continues to see a strong near-term sales pipeline, with the following key major near-term (less than six-month award target timeframe) bids in advanced stages (please note that the above pipeline excludes smaller (sub-\$500,000) potential contracts and those potential contract awards that are expected to take over six months to first cashflow for the Company).

Deal	Region	Total expected contract value over time (if awarded) ¹	Target timing to initial payment (if awarded)	Comments
1	Middle East	\$30m - \$50m	3-6 months	Same customer to whom the Company is currently delivering a A\$3.2m order
2	Europe	\$10m - \$16m	1-3 months	Down-selected to 1-in-2. All evaluations completed by the customer
3	Asia	\$5m - \$10m	2-4 months	Down-selected to 1-in-2. All evaluations completed by the customer
4	Europe	\$10m - \$20m	2-3 months	An agreement at advanced stage of negotiation with a major European integrator to sell to their customers*
5	Middle East	\$5m - \$15m	2-4 months	A completed agreement with a major Middle Eastern integrator to sell to their customers

*Please see "Partnerships" below for more information about this potential partnership.

In addition, the Company is pursuing a number of near-term smaller purchase orders and larger opportunities with a seven to 12 month timeframe (all excluded from the table above). As part of opportunities in this medium-term window, DroneShield has submitted (and, in some cases, been shortlisted on) a number of tenders across prison, airport and military sectors globally.

DroneShield completed a 30-day paid trial with a major law enforcement agency in Middle East during the quarter.

Partnerships



Image: DroneShield's DroneSentinel™ in a vehicle configuration displayed at Infopol exhibition in Belgium

In addition to utilising the Company's distributor network, which has now grown to 100+ distributors, in December 2018 DroneShield announced two important teaming agreements – one with Thales (one of the world's pre-eminent defence companies) in relation to activities in Spain, and the other one with Zain (one of the largest telecommunications companies in the Middle East) in relation to activities in the Middle East.

During the quarter, DroneShield's market leadership position was further confirmed by the fact that STC Specialised, a subsidiary of the Saudi Telecom Company, entered into an MoU with DroneShield on 18 March 2019. STC Specialized's customers include Saudi Aramco, Saudi Ministry of Defence, General Directorate of Civil Defence, Saudi Airlines, Saudi Electricity Company, Rabigh Refining Company, General Directorate of Narcotics Control, and a large number of other largest Saudi Government and enterprise customers. The parties have commenced the efforts to bring DroneShield products to STCSC's substantial customer base.

¹ Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales.





Image: Thales delegation visit to the DroneShield Sydney office

Item 4 in the section “Financial Performance / Near-Term High-Conviction Pipeline” above references an agreement at advanced stage of negotiation with a major European integrator, concerning sales of DroneShield’s products to the integrator’s customers. While no binding agreement has been entered into (and if and when such an agreement is entered into, it will be announced to the market (and there can be no assurance that the agreement will be entered into)), the Company has commenced joint activities with the European integrator in anticipation of a formal execution of the agreement. The Company expects its relationship with the integrator to substantially increase the volume of its European business and activities. In addition, following the events at Gatwick, the Company’s Europe and Middle East customers and potential customers require closer, real-time involvement with the Company on the ground. Consequently, the Company’s subsidiary DroneShield UK Limited has now established an office in London and retained the three staff referenced below, full-time, in the United Kingdom. The Company expects to update the market on its European developments, including the agreement referenced above, in the current quarter or shortly thereafter.




John Wood
Director of Sales, UK

John served in British Army in Angola, Namibia, Northern Ireland and the Gulf on a number of operational tours. John then served with UK Special Forces, fulfilling a number of demanding and sensitive appointments in numerous operational theatres around the world. John also worked in a number of highly technical roles in specialist areas within UKSF Group. After being seriously injured on combat operations in early 2001 he embarked on a 2-year rehabilitation program and was then discharged from the Army. John then embarked upon his commercial career and helped build and sell 4 businesses in the period to 2015. John was a co-founder of a global security business which helped rebuild Iraq following the war and following this he set-up and owned a tech business supplying a range of specialist operational equipment to customers throughout the British Army. On successfully selling this business John turned to consultancy and worked with the UK, Europe and US’s largest defence companies helping them to deliver +£100M of technical capability programs into UKSF and other parts of the UK military.

	<p>Mark has over 20 years' experience in aviation, defence, government and security markets, working for companies such as SITA and Collins Aerospace serving OEMs, major airlines and airport clients across Europe, Middle East and Africa.</p> <p>Within such roles, Mark developed business within airline communication services, ground data networks, operational aviation message platforms, airport operational systems, passenger processing and General Aviation flight support solutions. Along with more recent forays into Airport 4.0 (seamless solutions) with Biometric travel, Mark has extensive experience across Aviation from the cockpit through to the airfield and terminal.</p> <p>Mark initially heralds from a military background with specialist skills and experience in signals and communications.</p>
	<p>Chris is a veteran of 9 years of the Royal Air Force. After graduating the Defence College of Aeronautical Engineering as a Weapons Engineer, he was deployed on operational tours of Iraq and Afghanistan. Chris then exited the military into a wide range of engineering sectors; civil aerospace, motion control in the media, defence weapon systems and stabilised platforms.</p> <p>Chris has 3 years counterdrone experience in many environments, including operationally. During this time, he has trained, demonstrated and installed systems across the world. Chris is a keen amateur radio operator and qualified rugby union referee.</p>

Additionally, in the United States, the Company welcomed the new business development associate to its team.

	<p>US Army service member with over 3000 hours of counterdrone experience and active Secret Clearance. A 9-month deployment to Iraq offered real world experience on multiple technologies in an austere environment. As the lead counterdrone sensor operator, Casey trained dozens of people on operation, maintenance, and sustainability of counterdrone equipment.</p>
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The Company has also continued its relationship with the governments of Australia and the Commonwealth of Virginia, with the Company participating in the events utilising funding provided by the Australian Government through Team Defence Australia, or by the Virginia government.

Market Leadership Position

DroneShield continues to be the leader in the counterdrone space globally, as customer order dominoes continue to fall, and the market acceptance of both the counterdrone industry generally, and DroneShield's products specifically, continues to increase. The key factors establishing DroneShield's market leadership are summarised below:

Market Leadership Position



Validation through Orders and Deployments



• Examples only - most of the orders and deployments are confidential in nature and end users cannot be disclosed



Validation Through Customer Partnerships



Products Fully Developed, Have Been Deployed and Can Be Shipped Currently

• 100+ distributors globally



Team

- World class talent
- One of the largest industry teams across 3 continents



Branding

- Strong brand
- Recognisable globally for innovation and quality



Patents and Certifications

- NATO Stock Number
- GSA Schedule
- SAR Safety Testing
- Safety for Airport Use Testing
- Existing patent portfolio with new patents in the process of being added



Globally leading products

- Full range of detection and mitigation
- Multi-sensor
- Doesn't rely solely on one method

Products

During the quarter, DroneShield worked on bringing two new products to market, to supplement its existing product lines (one in detection and one in countermeasures). The formal launch and sales/deliveries of initial units are expected to commence in June. Further details will be released closer to the relevant product launches.



Image: DroneShield's DroneGun Tactical™

In addition, DroneShield has continued to incrementally improve its existing DroneSentinel™ and DroneSentry™ product lines.

On 4 February 2018, DroneShield announced that its DroneGun Tactical™ product had been assigned a NATO Stock Number (NSN). The DroneGun Tactical™ NSN is 5865661650137. An NSN is a 13-digit numeric code, identifying all the “standardised material items of supply” as they have been recognised by all NATO countries including United States Department of Defense, and allows for any of the 29 NATO militaries to purchase DroneGun Tactical™ on a “military catalogue” basis, significantly simplifying the procurement process. The assignment of an NSN is also relevant to non-NATO customers in that it is considered to signify that the product has achieved a certain level of acceptance by the world’s most discerning defence customers, the members of NATO and NATO’s allies.

In 2018, DroneShield obtained an NSN for DroneGun MKII™, the prior generation of the Company’s DroneGun™ product. That receipt of the NSN was followed, within several months, by the Company’s first substantial order for that product (for use by a Middle Eastern Ministry of Defence, in the amount of \$3.2 million). The Company expects that the receipt of the NSN for DroneGun Tactical™ will assist its sales efforts in both NATO and non-NATO countries.

Press Coverage

DroneShield continued to appear frequently in the news. Among the many press reports on DroneShield were the following:

- *Counter-UAS companies comment on Gatwick Airport drone incident*²
- *Anti-drone measures ‘should have been beefed up at Heathrow before Army was drafted in’ say security experts*³
- *Sensor solutions for detecting and defeating drones*⁴
- *Watch How a New Gun Knocks Drones Out of the Sky*⁵
- *DroneShield Assigned a NATO Stock Number for DroneGun Tactical*⁶
- *New technology to crackdown on drones as another airport forced to ground planes*⁷
- *Australian weapon tech DroneShield scores a bullseye in South America*⁸
- *DroneShield to Provide Anti-drone Products to Saudi Telecom*⁹
- *IDEX 2019: DroneShield counter-UAV technology*¹⁰
- *How to protect your airport from drone disruption*¹¹

Environment

The awareness of the drone threat by governments and corporates around the world continues to rapidly increase, with a corresponding focus on budgets for drone mitigation – DroneShield’s core business.

Following the December 2018 events at the Gatwick Airport, decision makers from various governmental agencies globally are increasingly focusing on drone detection and countermeasures.

² <http://www.uasmagazine.com/articles/1969/counter-uas-companies-comment-on-gatwick-airport-drone-incident>

³ <https://www.thelondoneconomic.com/news/anti-drone-measures-should-have-been-beefed-up-at-heathrow-before-army-was-drafted-in-say-security-experts/09/01/>

⁴ <http://instrumentation.co.uk/sensor-solutions-for-detecting-and-defeating-drones/>

⁵ <https://pjmedia.com/news-and-politics/watch-how-a-new-gun-knocks-drones-out-of-the-sky/>

⁶ <https://www.suasnews.com/2019/02/droneshield-assigned-a-nato-stock-number-for-dronegun-tactical/>

⁷ <https://www.2gb.com/new-technology-to-crackdown-on-drones-as-another-airport-forced-to-ground-planes/>

⁸ <https://www.itnews.com.au/news/australian-weapon-tech-droneshield-scores-a-bullseye-in-south-america-519374>

⁹ <https://dronelife.com/2019/03/26/droneshield-to-provide-anti-drone-products-to-saudi-telecom/>

¹⁰ <https://www.janes.com/article/87123/idx-2019-droneshield-counter-uav-technology>

¹¹ <https://www.passengerterminaltoday.com/news/expo/pte-interview-how-to-protect-your-airport-from-drone-disruption.html#prettyPhoto>

Drones continue to threaten militaries and public infrastructure. Governments around the world have begun acknowledging that cheap consumer drones provide terrorist and criminal groups with a powerful and inexpensive avenue to mount explosives or conduct surveillance. In the recent months, some of the reported incidents have included the following:

- Members of the Saudi Arabian Royal Defence Force shot down a hostile drone heading towards a residential area near the Saudi-Yemeni border.
- A bomb-laden drone was flown into a crowd at a military parade in Yemen, killing 6 people.
- YouTube came under fire for hosting video content which demonstrated how to transform a standard consumer drone into deadly weapon by retrofitting guns and other attachments.
- The Canadian Government introduced new laws which make it more difficult to both buy drones and fly them in dangerous areas.
- An American military base in Japan reported that drones had been sighted in their restricted airspace more than 70 times, putting safety and security at risk.
- MPs in the UK launched enquiry into the risk that consumer grade drones pose to safety and security.
- An anonymous drone operator in Western Australia used a drone to stalk another individual, repeatedly posting footage from the drone's camera on Facebook.



Image: Image of a destroyed drone from a news conference in Riyadh, Saudi Arabia

Stories relating to the use of drones to smuggle drugs, weapons and cell phones into prisons and across state lines were frequently in the media:

- A UK man was sentenced to 5 years in prison for attempting to smuggle contraband into a prison
- A sophisticated drug smuggling ring in Georgia, USA was busted by police for delivering contraband into prisons using drones. Repeated drone-smuggling incidents in Georgia prompted the state senate to introduce new no-fly zones over prisons with strict penalties
- Irish Police intercepted an attempt to use drones to smuggle drugs into an Irish prison, prompting officials to begin considering technology-based solutions to the rising drone-smuggling problem
- Two Canadian men were charged for allegedly using drones to drop various types of contraband inside a Montreal prison



Image: Walton prison man, drone and contraband

Drones being flown near commercial aircraft continued to disrupt operations at airports around the world, and close calls and collisions between drones and aircraft continue to rise following the major Gatwick events at the end of the December quarter.

- A rogue drone shut down Dubai International Airport, the world's third busiest, for over 30 minutes, causing significant disruption.
- Heathrow Airport, Europe's busiest airport, was forced to ground flights for over an hour due to a drone sighting, prompting criminal investigations.
- Flights were grounded at Newark International Airport in New Jersey after a drone came within 30ft (9m) of an aircraft, putting lives at risk.
- Drones also caused flight disruptions at Dublin Airport, Frankfurt Airport and Malta International Airport.
- A Surf Life Saving Rescue Helicopter came within 10m of crashing into a drone while patrolling a beach in Queensland, Australia.
- The water-bombing activities of a firefighting helicopters in both New Zealand and Western Australia faced delays due to drone sightings near the blazes.
- Sri Lankan Authorities arrested four individuals for illegally operating drones near the country's main airport.



Image: Emergency vehicle patrols the perimeter fence of Dublin Airport after flights were grounded due to a drone sighting

Please see <https://www.droneshield.com/press-coverage> and <https://twitter.com/DroneShield> for more information.

Other

As at 31 March 2019, 30,000,000 Performance Shares are on issue.

No performance share vesting or conversion milestones were met during the period, and no performance shares were redeemed during the period. The Company notes that the period during which the performance share milestones can be met expires on 20 June 2019.

	Performance Shares on issue at start of period (A) ¹²	Performance Shares converted to DRO shares during the period (B)	Performance Shares expired during the period (C)	Performance Shares on issue at end of period (A)-(B)-(C)
Class B ¹³	15,000,000	0	0	15,000,000
Class C ¹⁴	15,000,000	0	0	15,000,000
Total	30,000,000	0	0	30,000,000

The \$1,855,000 credit facility announced to the market on 31 October 2018 expired at the end of the quarter, with the Company having chosen not to draw down any funds under the facility, given the sufficiency of the Company's existing current cash reserves.

Further Information

Oleg Vornik
 CEO and Managing Director
 Email: oleg.vornik@droneshield.com
 Tel: +61 2 9995 7280

About DroneShield Limited

Based in Sydney (Australia), and Virginia and Washington DC (USA), and with substantial operations in London (UK), DroneShield is a worldwide leader in drone security technology. The Company has developed pre-eminent drone security solutions that protect people, organisations and critical infrastructure from intrusion from drones. Its team combines world-class expertise in engineering and physics with deep experience in defence and intelligence.

ENDS

¹² Performance Shares were issued to all pre-IPO shareholders at the time of the IPO.

¹³ Each Class B Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$7,000,000 of cumulative revenue or \$2,500,000 of annual revenue in any given twelve month period, within 36 months of the date the Company is admitted to the Official List (Class B Milestone).

¹⁴ Each Class C Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$3,000,000 of cumulative earnings before interest and taxes (EBIT) or \$1,000,000 of annual EBIT in any given financial year, within 36 months of the date the Company is admitted to the Official List (Class C Milestone).

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A	Year to date \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,018,142	1,018,142
1.2 Payments for		
(a) research and development	(232,311)	(232,311)
(b) product manufacturing and operating costs	(127,602)	(127,602)
(c) advertising and marketing	(170,891)	(170,891)
(d) leased assets	-	-
(e) staff costs	(640,656)	(640,656)
(f) administration and corporate costs	(382,037)	(382,037)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3,668	3,668
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	7,003	7,003
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(524,684)	(524,684)

Consolidated statement of cash flows	Current quarter \$A	Year to date \$A
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(203,618)	(203,618)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(203,618)	(203,618)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,299,696	1,299,696
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(80,720)	(80,720)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,218,976	1,218,976

Consolidated statement of cash flows		Current quarter \$A	Year to date \$A
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,229,499	1,229,499
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(524,684)	(524,684)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(203,618)	(203,618)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,218,976	1,218,976
4.5	Effect of movement in exchange rates on cash held	8,109	8,109
4.6	Cash and cash equivalents at end of quarter	1,728,282	1,728,282

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,204,489	1,046,464
5.2	Call deposits	523,793	183,035
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,728,282	1,229,499

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A**

94,212

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Compensation payments to Oleg Vornik (Managing Director and CEO) and Director fees to the Board.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A**

75,000

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Payment to Mounthaven Consulting LLC, an affiliate of substantial shareholder Long Hill Capital LLC.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	nil	nil
8.2 Credit standby arrangements	nil	nil
8.3 Other (please specify)	nil	nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	180,000
9.2 Product manufacturing and operating costs	190,000
9.3 Advertising and marketing	70,000
9.4 Leased assets	-
9.5 Staff costs	700,000
9.6 Administration and corporate costs	470,000
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,610,000*

**This estimated amount is gross, before any cash inflows from customer sales, grants and other sources.*

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here: 
 (Director/Company secretary)

Date: 8 April 2019

Print name: Dean Jagger

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.