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ASX RELEASE

## 2019 CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

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Good morning ladies and gentlemen. My name is Peter James. I am the Independent Non-Executive Chairman of Droneshield Limited. On behalf of the Board, it is my pleasure to welcome you to the 2019 Annual General Meeting.

It is now 10:00am and there being a quorum present, I declare the meeting open for business. I confirm that the meeting has been properly constituted.

I would like to introduce you to Oleg Vornik, our CEO and Managing Director. Oleg has significant commercial and financial expertise in important roles with several global businesses, and has been successfully using this experience in leading DroneShield for over three years.

Also present is Robert Clisdell, Non-Executive Director, whose experience has centred on corporate finance and mergers and acquisitions over the past fifteen or so years.

Unfortunately, Non-Executive Director Bradley Buswell who is based in the US, wasn't able to attend today's AGM and we have received an apology.

Also present are the Company's auditor, Aidan Smith of HLB Mann Judd and the Company Secretary, Dean Jagger of Automic Group.

The agenda for today's meeting is as follows:

- I will provide the Chairman's address;
- following which, we'll proceed to the more formal matters to be considered today, as set out in the Notice of Meeting that was despatched to all shareholders on 29 March 2019.
- Mr Vornik will provide an update on the business and the outlook for 2019; and
- finally, there will be an opportunity for questions and discussion.

After the meeting has closed, I invite you to stay for tea and coffee and our Directors and executive staff who are here today can answer any further questions you might have.

I am pleased to present to you today my review of 2018, the third year both as Chairman and for DroneShield as a publicly listed company, and an overview of DroneShield's prospects going forward.

2018 and 2019 year to date have seen a continued rapid development for DroneShield and the counterdrone industry as a whole. The events at the Gatwick Airport in the UK at Christmas were well publicised and we believe became a watershed moment for our company. The global recognition of the need for drone detection and mitigation started well before the Gatwick events; however, it was after these events that the rate of adoption of anti-drone technologies accelerated substantially. This groundswell of adoption has now started to be reflected in DroneShield's financial performance.

DroneShield generated total customer cash receipts of \$1,252,123 for the calendar 2018 – the Company's highest annual cash receipts to date. Of that amount, close to half (\$489,209) was received during the December 2018 quarter. Following that, the Company has announced \$1,012,642 in cash receipts for the March 2019 quarter – more than doubling the previous record quarter performance. The Company is well positioned to continue the momentum for the June 2019 quarter and beyond.

During the year, the Company released several new products in response to end customer requests. The Company released DroneGun Tactical™ (a portable, rifle-style drone disruptor), DroneNode™ (a covert

style drone disruptor), a new generation software system for its DroneSentinel™ and DroneSentry™ detection and detect-and-defeat systems, and DroneCannon RW™ (a drone disruptor for Remote Weapon Stations). The Company also unveiled a vehicle-mounted counterdrone solution.

In June 2018, DroneShield received a \$3.2 million order for 70 DroneGuns™ from a Middle Eastern Ministry of Defence, the largest known order of its kind in the industry globally to date. DroneShield's present global order book is approximately \$2.5 million, with a near term high-conviction pipeline of over \$60 million.

DroneShield has made significant progress with key strategic partnerships globally, including teaming agreements with the major global defence prime Thales and the Middle Eastern telecommunications conglomerates Saudi Telecom Company and Zain. The Company added key distributors to its global network, including two Tailored Logistics Support ("TLS") Program partners in the U.S., to assist sales to the U.S. Government. DroneShield's products were accepted into the General Service Administration ("GSA") schedule in the U.S. Further in that market, the Company participated in several high-profile U.S. military trials including U5G event at Camp Pendleton with the U.S. Navy / Marine Corps, and Asymmetric Warfare Group trials at Fort AP Hill.

The Company continued to benefit from the Australian Government's Defence Export Strategy, continuing to be selected to be a part of Team Defence Australia at key defence events globally, as well as having access to a network of Australian embassy defence attaches around the world. It received its second R&D Tax Incentive Grant from the Australian Government for 2018's activities for \$485,351 in this June 2019 quarter.

DroneShield's developments come against the rapidly increasing backdrop of terrorist organisations increasing the sophistication and frequency of use of consumer and commercial grade drones for nefarious purposes. The prolonged shutdown of the UK's Gatwick Airport at Christmas has substantially accelerated the awareness of the drone threat, and the associated procurement processes. Both the civil aviation and the defence markets are expected to be key segments for the Company going forward, and the Company is well positioned for the defence markets as it is participating in a number of tenders, and its products are undergoing a number of evaluations at present. The Company has no debt, and approximately \$1.6 million in cash as at end of April 2019. Given the consistently upward trajectory of our sales and cash inflows, and the corresponding reduction in our net cashoutflows (to approximately \$700,000 in the most recent completed quarter – half of the net outflows of the previous quarter), we are progressing through 2019 with a confident outlook.

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.

I would sincerely like to thank the hard work and effort of our Board of Directors, our CEO and Managing Director Oleg Vornik and his executive team. We appreciate the invaluable contribution of our loyal and dedicated employees, my fellow shareholders, our global network of distributors and of course the tremendous support of our customers.

## **About DroneShield Limited**

Based in Sydney (Australia), Virginia and Washington DC (USA) and 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 leadership brings world-class expertise in engineering and physics, combined with deep experience in defence, intelligence, and aerospace.

**ENDS**