



DRONESHIELD

Quarterly Report

For the period ending
31 December 2021



Image: DroneShield DroneGun MKIII™ and DroneSentry-X™ in deployment

DroneShield Limited (ASX:DRO)

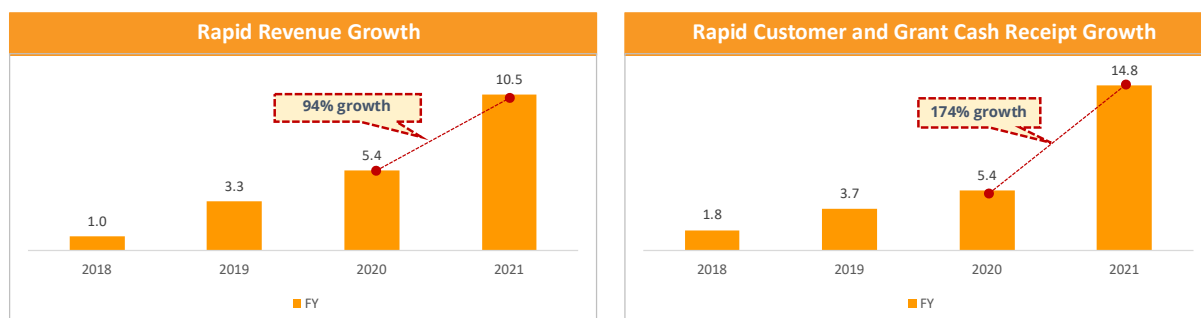
ASX Release

ABN 26 608 915 859

DroneShield Limited (ASX:DRO) (“DroneShield” or the “Company”) is pleased to release its business update and Appendix 4C for the three-month period ended 31 December 2021.

Highlights

- \$2.6 million customer cash receipts for the quarter, **up 53%** on 3Q21.
- **174% growth** in Customer and Grant Cash Receipts for calendar 2021, at \$14.8 million¹.
- **94% growth** in unaudited revenue, at \$10.5 million (audited accounts due in February 2022).
- Bank balance as at 31 December 2021 at **\$9.5 million**, with monthly gross outflows (before revenues) of approximately \$1.1 million/month.



Outlook

- Committed order book of \$1.7 million, with \$0.8 million due this 1Q22 quarter. Most cash receipts for the current quarter are expected to come in addition to the current order book.
- Over \$200 million global pipeline (unrisked cash receipts) for 2022, with growing focus towards the more business-transparent US and Australian Government customer base. Large opportunities continue globally, notably in the Middle East.

Australia

- Successfully executing on the \$3.8 million 2-year Electronic Warfare contract with the Australian Department of Defence (“DoD”). This is expected to be increased over time.
- DoD has awarded a third, 12-month \$800,000 contract relating to Artificial Intelligence in multi-domain applications. The work relates to both the counterdrone space as well as more general military/Government agency applications.
- In December 2021, the Australian Communications and Media Authority (“ACMA”), the Australian Federal Government agency regulator of the communications spectrum nationally, has granted DroneShield the first exemption permit of its kind to both undertake advanced testing of the Company’s Electronic Warfare and counterdrone portfolio in Australia. This permit substantially accelerates the development and optimisation of advanced Artificial Intelligence-powered electronic warfare and counter-terrorism technologies here in Australia.

United States

- Matt McCrann, was promoted from VP of Sales, to CEO of DroneShield LLC (100% owned US subsidiary). As a substantial amount of near term anticipated growth is expected to originate

¹ \$14.8 million consists of \$13.4m in customer cash receipts, \$1.2m in grants and \$0.2m in US Govt loan-to-grant program.

from the United States, DroneShield continues to grow its team and footprint within the market.

- Continued increase in presence and visibility within the US market, which now includes a customer base that spans Department of Defense, Federal and State level government, Public Safety, and commercial organisations and integrators. In 2021, DroneShield successfully delivered several orders across the U.S. Government including to Military, Federal, and State level law enforcement agencies.
- Currently under a formal trial to enter into a major Program of Record with a high-profile Government Agency for DroneShield handheld products.

Airports

- Airports in the US (via FAA), Australia (via Air Services Australia) and globally are actively evaluating counterdrone deployments, with DroneShield well positioned as a mature, long range, passive/non-emitting solution.
- During the quarter, DroneShield was shortlisted on a major airport tender, as part of a global prime contractor solution, with its RfOne™ long-range drone detection product, with expected selection result in the next 2-3 months.

Products

- Continued our move to a SaaS model, via three subscription products:
 - Quarterly firmware updates to drone detection Artificial Intelligence (AI) engine software running on hardware of RfPatrol™, DroneSentry-X™ and RfOne™.
 - Quarterly firmware updates to the camera AI engine DroneOptID™ for optical and thermal based drone detection, ID and tracking.
 - DroneSentry-C2™ Command-and-Control and analytics software for DroneShield and third party sensors, across counterdrone and general base security solutions. This platform is expected to be formally launched as a paid subscription product in this quarter. It will, additionally, form the basis of DroneShield's training and simulation suite of software in counterdrone and perimeter security space, over time.
- DroneShield continuously builds on its global leadership in Artificial Intelligence within multiple domains across spectrum intelligence, robotics, and computer vision.

Other key items

- On 10 January 2022, DroneShield [released a newsletter](#) with additional details covering 2021 and outlook for 2022.
- Added inventory during the quarter to mitigate supply chain delay risks in the current environment. \$14 million of inventory by sale value on hand to meet near term pipeline requirements
 - The \$2 million inventory spend for the quarter, reflects this inventory-on-hand scale up.
- Global team at 60 staff, with hiring focus on expanding the US sales and technical support teams and Australian engineering team.
- Highly favourable macro environment for DroneShield:
 - rapidly rising counterdrone expenditure globally, as drone incidents continue: <https://www.droneshield.com/uas-incidents>
 - ongoing increase in local defence capability by the Australian Government.

This announcement has been approved for release to ASX by the Board.

Further Information

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About DroneShield Limited

DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UAS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial, maritime or airborne platforms. Our customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports globally.

END

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A	Year to date (12 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	2,627,205	13,444,547
1.2 Payments for		
(a) research and development	(337,219)	(951,143)
(b) product manufacturing and operating costs	(1,999,188)	(8,574,159)
(c) advertising and marketing	(169,158)	(1,053,661)
(d) leased assets	-	-
(e) staff costs	(1,921,910)	(6,791,152)
(f) administration and corporate costs	(666,252)	(3,659,865)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	813	35,827
1.5 Interest and other costs of finance paid	(3,890)	(30,626)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	16,500	1,227,121
1.8 Other (provide details if material)	8,800	79,200
1.9 Net cash from / (used in) operating activities	(2,444,299)	(6,273,911)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(99,438)	(467,452)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A	Year to date (12 months) \$A
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	-	-
(l) 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	(99,438)	(467,452)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	(11,565)	(122,033)
3.10 Net cash from / (used in) financing activities	(11,565)	(122,033)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	12,102,825	16,288,772
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,444,299)	(6,273,911)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(99,438)	(467,452)

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(11,565)	(122,033)
4.5	Effect of movement in exchange rates on cash held	(10,388)	111,759
4.6	Cash and cash equivalents at end of period	9,537,135	9,537,135

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	5,660,679	8,228,244
5.2	Call deposits	3,876,456	3,874,581
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)	9,537,135	12,102,825

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1 Payments to CEO and Non-Executive Directors of \$122,498, and payment of \$3,777 for inventory global shipping costs to shipper Sort Hub Pty Ltd, of which the director Jethro Marks is a related party.	(126,275)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-

8.	Estimated cash available for future operating activities	\$A
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,444,299)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,537,135
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	9,537,135
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.9
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/A	
	8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/A	
	8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 20 January 2022

Authorised by: 
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Carla Balanco, Company Secretary

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.