



DRONESHIELD

Quarterly Report

For the period ending
31 March 2023



Image: DroneShield solutions presented to the Chief of Army, Lieutenant General Simon Stuart, AO, DSC at Avalon Airshow 2023

DroneShield Limited (ASX:DRO)

ASX Release

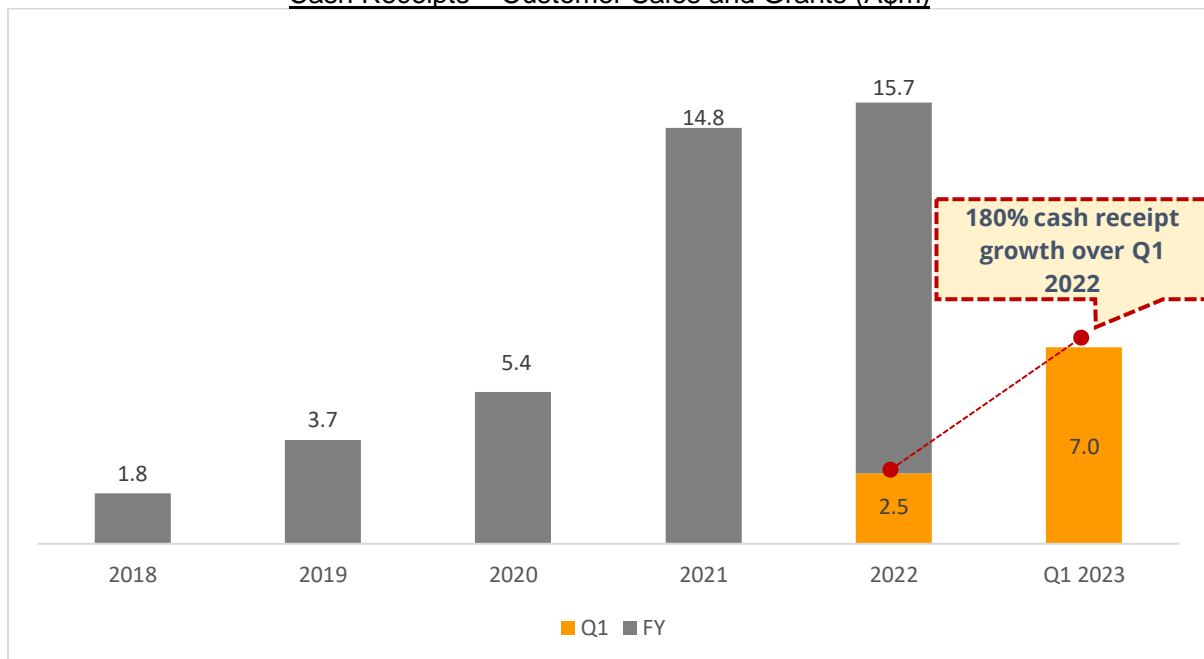
ABN 26 608 915 859

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 March 2023.

Following a [record](#) December FY2022 revenues of \$16.9 million (up 59% YoY), the Company achieved an all-time second highest cash receipt quarter of \$7 million, up 180% on 1Q22 (the highest was 2Q22, at \$7.4 million).

DroneShield is in a highly favourable environment, as its work to build itself as a global leader in the counterdrone sector is paying off, with both the counterdrone industry rapidly growing and more generally defence and security budgets rising. The Ukraine situation is demonstrating the role of drones in modern warfare, and driving procurement programs of Government customers around the world seeking to be prepared for the next conflict.

Cash Receipts – Customer Sales and Grants (A\$m)



Highlights

- \$7 million in cash receipts for 1Q23, up 180% on 1Q22.
- [\\$11 million order](#) received in January (following [another \\$11 million record order](#) in December 2022) as well as numerous smaller contracts.
- Strong investor support for the Placement and SPP, [raising \\$40.3 million](#) (before costs) in March 2023. The use of funds included rapidly building up inventory for faster fulfilment of orders and scaling the engineering and operations teams to support the growth in sales.
- Strong bank and term deposits balance of \$45.8 million as at 31 March 2022. Bank and term deposits balance as of 21 April 2023 was \$42.4 million.
- Order backlog of \$22 million as of the date of this report (committed contract payments due to be paid this year), and a \$200 million+ in sales pipeline.
- Initial [\\$600k order](#) for drone tracking sensors for an Unmanned Traffic Management (UTM) project in Europe, including SaaS subscription with quarterly updates. UTM is a fast growing [multi-billion market](#).

- Release of substantially enhanced [DroneSentry-C2 Platform Update](#) and [RF Device Firmware Update](#).
- Admission into [MSCI Global Micro Cap Index](#).
- Successful completion of the [\\$800k Defence Innovation Hub project](#).
- High-profile DroneGun deployment at [Brazil presidential inauguration](#) (held in early January 2023).

DroneShield CEO, Oleg Vornik, commented: “Following our recent record orders and a substantial capital raise, the priority is on securing near term significant follow up orders and ensuring the available inventory, and the engineering and operations teams are well placed to deliver on the rapid growth trajectory.”

Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$135,561.

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 drones, as well as electronic warfare solutions. The 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 March 2023

Consolidated statement of cash flows	Current quarter \$A	Year to date (3 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	7,010,756	7,010,756
1.2 Payments for		
(a) research and development	(328,766)	(328,766)
(b) product manufacturing and operating costs	(3,754,714)	(3,754,714)
(c) advertising and marketing	(885,081)	(885,081)
(d) leased assets	-	-
(e) staff costs	(2,594,393)	(2,594,393)
(f) administration and corporate costs	(1,379,752)	(1,379,752)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	46,098	46,098
1.5 Interest and other costs of finance paid	(9,353)	(9,353)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	12,206	12,206
1.8 Other	15,000	15,000
1.9 Net cash from / (used in) operating activities	(1,867,999)	(1,867,999)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(511,177)	(511,177)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
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	-	-
2.6	Net cash from / (used in) investing activities	(511,177)	(511,177)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,256,557	40,256,557
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	(2,247,081)	(2,247,081)
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 <i>Lease liability principal repayments relating to DroneShield's Office leases in Sydney (Australia) and Virginia (USA)</i>	(171,877)	(171,877)
3.10	Net cash from / (used in) financing activities	37,837,599	37,837,599

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,261,761	10,261,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,867,999)	(1,867,999)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(511,177)	(511,177)

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37,837,599	37,837,599
4.5	Effect of movement in exchange rates on cash held	174,045	174,045
4.6	Cash and cash equivalents at end of period	45,894,229	45,894,229

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	14,923,297	9,290,829
5.2	Call deposits	153,032	970,932
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	30,817,900	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	45,894,229	10,261,761

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 <i>Payments to CEO and Non-Executive Directors</i>	135,561
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. 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)	(1,867,999)
8.2	Cash and cash equivalents at quarter end (item 4.6)	45,894,229
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	45,894,229
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	24.56
	<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: 26 April 2023

Authorised by: Board of Directors

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.