

28 July 2016

ASX RELEASE

Quarterly Report – For the Quarter Ended 30 June 2016

DroneShield Ltd (ASX:DRO) ("DroneShield" or the "Company") is pleased to provide the following update on its activities during the three-month period ended 30 June 2016 and its Appendix 4C quarterly cash flow report for the same period.

Successful Completion of Initial Public Offering

The Company has successfully listed its securities on the Australian Securities Exchange on 22 June 2016 in a substantially oversubscribed IPO, under which the Company raised \$7 million through the issuance of 35,000,000 shares at an issue price of \$0.20 per share. Each IPO investor has also received listed options at \$0.22 strike price and a 2 year exercise period, on a 1-for-1 basis for the number of subscribed shares.

Listing on the ASX represents a significant milestone for the Company, with the proceeds being used to:

- assist DroneShield's existing global distributor network of over 40 distributors in more than 30 countries, and develop their local markets,
- establish selected direct relationships within key segments of local markets identified by DroneShield,
- continue to scale existing DroneShield technology,
- expand the manufacturing capability of DroneShield's products, and
- implement strategies to add complementary detection and certain countermeasure methods in permitted locations.

Protecting Boston Marathon

On 18 April 2016, DroneShield worked in conjunction with the Boston Police Department to successfully provide drone security for the annual Boston Marathon event for the second year in a row. James Walker, Managing Director, DroneShield Limited commented "It was pleasing to be asked to return for a second year in a row to provide security against drones for this very large and high profile event, working alongside the law enforcement personnel. This continues to cement DroneShield's pre-eminent position in this field."

New and Upgraded Products

This quarter, DroneShield has commenced shipments of the Onsite Processor product. The product allows for the existing DroneShield system to be used in a closed loop, without a requirement to connect to a data cloud. This benefits users who are unable due to their internal policies or remote locations to connect to a cloud. The product is expected to be particularly relevant in prison, military, and mobile use environments.

DroneShield's engineering team has also released a new version of its core system (v1.5) available through both its cloud and Onsite Processor options. The new system contains increased number of drone signatures, a more intuitive user interface allowing for a simpler set up and calibration, and improved detection algorithms for reduced likelihood of false alarms.

End of Period Cash Balance

As at 30 June 2016, DroneShield had a combined cash balance of \$6,068,596 as outlined in the accompanying Appendix 4C.

Further Information

James Walker
Managing Director
Email: james.walker@dronesshield.com
Tel: +61 2 8072 0679

About DroneShield Limited

Based in Sydney and Virginia, DroneShield is a worldwide leader in drone detection technology. The Company has developed the pre-eminent drone detection solution that protects 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. DroneShield designs detection systems that use highly specialised technology to achieve levels of precision and sensitivity that are not possible with other methods.

ENDS

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (6 months) \$A
1.1	Receipts from customers	11,118	36,876
1.2	Payments for (a) staff costs	(226,276)	(308,141)
	(b) sales and marketing	(60,694)	(64,194)
	(c) research and product development	(111,936)	(160,663)
	(d) leased assets	-	-
	(e) other working capital	(162,389)	(194,129)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(416)	(1,328)
Net operating cash flows		(550,593)	(691,579)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A	Year to date (6 months) \$A
1.8 Net operating cash flows (carried forward)	(550,593)	(691,579)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(3,549)	(8,132)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	(733)	(1,680)
Net investing cash flows	(4,282)	(9,812)
1.14 Total operating and investing cash flows	(554,876)	(701,391)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	7,000,000	7,554,324
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(1,877)	(6,173)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(941,863)	(1,130,754)
Net financing cash flows	6,056,260	6,417,397
Net increase (decrease) in cash held	5,501,385	5,716,006
1.21 Cash at beginning of quarter/year to date	562,320	378,448
1.22 Exchange rate adjustments to item 1.20	4,891	(25,858)
1.23 Cash at end of quarter	6,068,596	6,068,596

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	78,932
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Salary and superannuation payments to James Walker (Managing Director).	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	nil	nil
3.2 Credit standby arrangements	nil	nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A	Previous quarter \$A
4.1	Cash on hand and at bank	3,045,235	556,364
4.2	Deposits at call	3,000,000	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		6,045,235	556,364


Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	DroneShield LLC
5.2	Place of incorporation or registration	Delaware, USA
5.3	Consideration for acquisition or disposal	100,000,000 shares in DroneShield Limited at A\$.20/share, equivalent to A\$20,000,000
5.4	Total net assets	US\$100,377, which translates to A\$134,843 at 0.7444 exchange rate
5.5	Nature of business	Drone detection technology

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 July 2016
Company secretary

Print name: Erlyn Dale

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.