

28 October 2016

ASX RELEASE

Quarterly Report – For the Quarter Ended 30 September 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 September 2016 and its Appendix 4C quarterly cash flow report for the same period.

Key Staff Appointments, Customer Demonstrations, Technology Partnerships, Sydney Facility

As released to the market in an Operations Update on 9 September 2016, DroneShield has made significant progress this quarter in several key areas:

- Key staff appointments in sales, marketing and technology areas
- High profile customer demonstrations
- Advanced stage discussions to progress DroneShield from an acoustic drone detection company to an integrated technology platform
- Establishment of a dedicated corporate and product development facility in Lane Cove, Sydney.

Further progress is being continued to be made in staff appointments with a focus on a senior US salesperson hire, ongoing customer demonstrations and progressing discussions to establish DroneShield as a comprehensive drone security platform.

Establishment of Inventory for Demonstrations and Immediate Sales

During the quarter, the Company has invested in establishing an inventory of several additional demonstration kits for the Sydney and Virginia facilities as well as for remote demonstrations at customer premises, to support customer demonstration requests. Demonstrations are a generally common required step to sales for larger orders. Additionally, a small amount of stock has been established on hand to support immediate sales.

End of Period Cash Balance

As at 30 September 2016, DroneShield had a combined cash balance of \$4,546,518 as outlined in the accompanying Appendix 4C.

Further Information

James Walker
Managing Director
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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 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")

30 SEPTEMBER 2016

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities			
1.1 Receipts from customers		24,486	61,362
1.2 Payments for			
(a) research and development		(85,433)	(246,096)
(b) product manufacturing and operating costs		(159,067)	(194,750)
(c) advertising and marketing		(94,607)	(158,801)
(d) leased assets		-	-
(e) staff costs		(330,320)	(638,460)
(f) administration and corporate costs		(633,541)	(791,987)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		19,148	19,148
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	(1,328)
1.9 Net cash from / (used in) operating activities		(1,259,334)	(1,950,913)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(6,363)	(14,995)
(b) businesses (see item 10)		-	-
(c) investments		-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
	(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)	-	(1,680)
2.6	Net cash from / (used in) investing activities	(6,363)	(16,175)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	7,000,000
3.2	Proceeds from issue of convertible notes	-	554,324
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(43,882)	(615,752)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(172,287)	(178,460)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(27,639)	(586,523)
3.10	Net cash from / (used in) financing activities	(243,808)	6,173,589

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	6,068,596	378,448
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,259,334)	(1,950,913)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,363)	(16,175)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(243,808)	6,173,589

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
4.5	Effect of movement in exchange rates on cash held	(12,573)	(38,431)
4.6	Cash and cash equivalents at end of quarter	4,546,518	4,546,518

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	1,546,518	3,068,596
5.2	Call deposits	3,000,000	3,000,000
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)	4,546,518	6,068,596

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

**Current quarter
\$A**

188,404

-

Salary and superannuation payments to James Walker (Managing Director), payments to Azalea Consulting Pty Ltd in consideration for director fees for Winton Willesee, company secretary fees and utilisation of the registered office, and director fees for Peter James and Samantha Ravich.

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

**Current quarter
\$A**

-

-

None

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.		

None

9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	(48,000)
9.2 Product manufacturing and operating costs	(125,000)
9.3 Advertising and marketing	(72,000)
9.4 Leased assets	-
9.5 Staff costs	(679,000)
9.6 Administration and corporate costs	(275,000)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,199,000)

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

- 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.

Sign here: 
(Company secretary)

Date: 28 October 2016

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 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.