

8 June 2023

ASX RELEASE

Investor Newsletter – June 2023

DroneShield Ltd (ASX:DRO) (**DroneShield** or the **Company**) has continued its strong momentum in recent months, underpinned by continued extensive use of drones in Ukraine and increasing drone incidents and customer awareness around them.

Key parts to the momentum include:

- New product releases and continuous firmware upgrade on existing products
- Rapid growth in the US market
- Ongoing successful execution in non-US markets
- Strong positioning in the Australian market
- Scaling operations and deployment to support rapid sales growth
- Growth in SaaS.

New Products

The Company has [released DroneGun MK4 in April](#), in response to customer feedback and requirements, and already secured several orders from key customers for that product.

US market

US continues to be the strongest geographic segment for the business, reflecting the size and sophistication of the market. In addition to its size, it is a diverse market, and DroneShield is actively engaged with dozens of channels across military, federal agencies, state level law enforcement (as evidenced with DroneShield equipment used to [secure IRONMAN Texas](#) for the second consecutive year), airports and others.

In early June, DroneShield continued expansion of its US footprint at its existing Warrenton, Virginia location to accommodate the increasing customer demand, growing inventory and team size.



Image: DroneShield presenting at Ramstein Air Base (U.S. Air Force)



Images: DroneShield presenting at ADS Warrior West and AUVSI Exponential event in Denver

Key drivers of business in the US include ramp up in counterdrone equipment in response to lessons from Ukraine (incorporating the rollout across US DoD bases, which DroneShield was shortlisted for, as part of SAIC consortium).

International non-US markets

Outside of the US, DroneShield is actively engaged in dozens of countries around the world, providing a regular stream of smaller (sub \$1 million) orders, with several large opportunities in the pipeline. With the current uncertain geopolitical environment, a number of countries are rapidly growing their defence and national security budgets.



Image: GMP Defence (DroneShield Poland partner) at the Snajper Poland MOD conference with DroneShield equipment

Australia

In Australia, the Government has released the results of its Defence Strategic Review (DSR), outlining defence posture and budget priorities, firmly benefitting DroneShield, as the Australian Defence Force (ADF) is moving to implement the DSR with significant focus on:

- Sovereign industrial capability while ability to deliver TRL 9 (ready to use products as opposed to prototypes). DroneShield has its R&D and manufacturing in Australia, with a mature set of products today.
- Robotics (and counter-robotics) – with the ADF closely monitoring the lessons from Ukraine
- AUKUS cooperation – a number of DroneShield products are already deployed in the US and UK, through DroneShield's on the ground Virginia operation in the US and an active partnership with BT in UK.

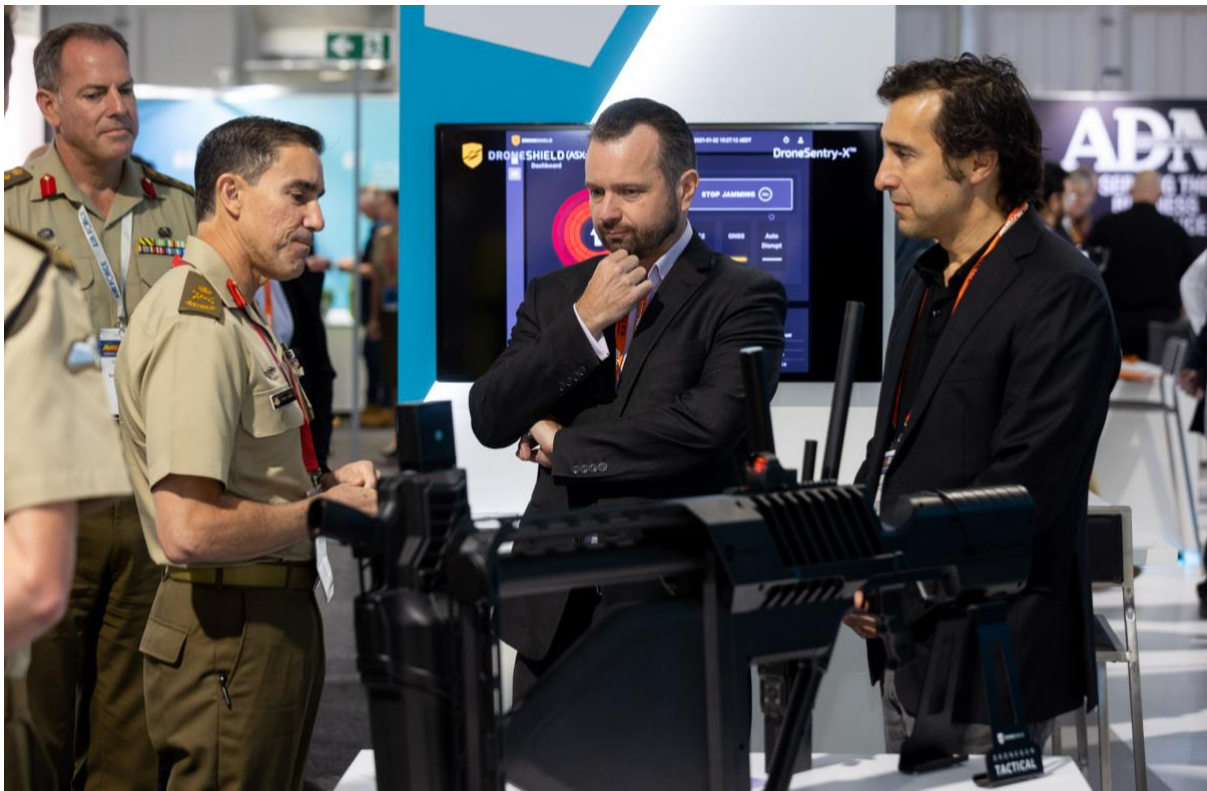


Image: DroneShield solutions presented to the Chief of Army, Lieutenant General Simon Stuart, AO, DSC at Avalon Airshow 2023

DroneShield has been invited to the [Army Innovation Day](#) held in Perth 29-30 August, where it will present its latest technologies for both outright acquisition and R&D sponsorship by the Army.

Following extensive use of drones on both sides in Ukraine, there have been [recent reports](#) on a follow up aid package by the Australian Government to Ukraine. Ukraine has continuously stressed the requirement for counterdrone solutions in such packages (alongside of Bushmaster and Hawkei vehicles).

Alongside of counterdrone sales, DroneShield has been on track to successfully complete the existing \$3.8 million / 2 year software R&D project with the ADF due for imminent completion, and is in discussions for a follow up project.

In addition to military deployments, DroneShield's equipment was seen in a rare public glimpse at the Formula 1 event in Melbourne, deployed by the VIC Police:



Image: DroneShield equipment deployed by the VIC Police at the Formula 1 event

Alongside of closed/invite-only customer engagements and demos, DroneShield continues to actively market through exhibitions around Australia (supported by NSW Government) and globally (supported by Team Defence Australia), providing an attractive way to make new connections given the diverse amount of customer entry points in the counterdrone market. Events for the remainder of 2023 include DSEI in UK, AUSA in the US, MSPO in Poland, Dubai Airshow and numerous others.



Images: DroneShield stand (as part of Team Defence Australia pavilion) at DSEI Japan and at CANSEC at Ottawa at the Twenty20 Canadian partner stand

Scaling in Manufacturing and Operations

In Australia, the manufacturing and operations team has been implementing a major uplift in manufacturing and deployment capability, working to build [over \\$65 million](#) in stock by end of the year. The team has also recently successfully renewed its ISO 9001 registration, required for a number of Defence contracts.

Growth in SaaS

As the Company seeks to have SaaS as an increasing part of its total revenues, it has continued to release quarterly updates of firmware to subscribing customers, including an update of its [DroneSentry-C2](#) system [in May](#). By cash receipts, SaaS was approximately \$800,000 out of the \$7m in cash receipts for the March 2023 quarter (approximately same as SaaS cash receipts for entire 2022).

Team Growth

DroneShield has continued to expand its Australian and US team across engineering, operations and sales, with the current team at approximately 85 staff. The current team size (in conjunction with the supply chain and distributor partner network) is expected to be sufficient to support annual sales of over \$100m.



Image: onboarding of new DroneShield team members at the Megalong Valley DroneShield test facility

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

Further Information

Oleg Vornik
CEO and Managing Director
Email: oleg.vornik@droneshield.com
Tel: +61 2 9995 7280

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.

ENDS