**6 December 2021** **ASX RELEASE**

# Investor Day Presentation

**DroneShield Limited** (ASX:DRO) ("DroneShield" or the "Company") is pleased to share the attached presentation for the upcoming Investor Day to be held tomorrow, 7 December 2021, in its Sydney office.

This announcement has been approved for the 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 counterdrone and Electronic Warfare applications. We offer customers bespoke solutions and off-the-shelf products designed to suit a variety of terrestrial, maritime or airborne platforms. The customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports globally.

**ENDS**

DRONESHIELD

# AI-Enabled Platforms for Protection against Advanced Threats

ASX:DRO

December 2021

# Investment Highlights

**World leading proprietary AI platforms for protection against advanced threats**

**Large international addressable markets in counterdrone, electronic warfare and tracking systems**

**Leveraged to global growth trends – rising AI applications and defence expenditure**

**Best in class customer base including Department of Defence, US Air Force, US State Department**

**Rapid growth, Jan-Sep 2021 cash receipts up 4x on pcp, $10m cash to fund accelerated growth strategy**

**Strong and diversified pipeline of sales – cash value $200m+**

**Positive outlook, 2021 cash receipts expected to be around $14m ($5.4m in 2020), positive Standstill OpCF and EBITDA for 1H21, expecting to turn cashflow positive in 2022**

# AI-Enabled Platforms for Protection against Advanced Threats

Multiple platforms in adjacent technologies and customers with a common theme of AI-based threat protection



**Counterdrone**

- Global leader with multiple differentiators in a rapidly growing counterdrone market
- Hardware sales with SaaS
- Tier 1 customers across military, intelligence community, Government and critical infrastructure
- $200m+ pipeline

**Synergies between counterdrone and non-drone applications**

**Artificial Intelligence in Electronic Warfare**

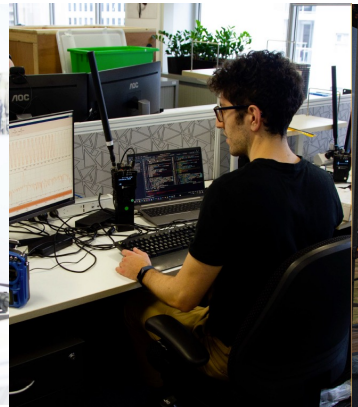
- Executing on a 2 year $3.8m contract with Australian DoD, following on the initial $600k contract in 2020
- Expecting significant follow up work with the DoD
- Potential to take the work to the US DoD

**Artificial Intelligence in computer vision and sensor fusion**

- Executing on a 1-year initial $800k contract with Australian DoD
- Expecting follow up work, potentially within the timeframe of the current contract

**Command-and-Control (C2) Systems / Tracking Systems**

- In tenders with multi-million-dollar total opportunities, including for Tracking Systems



# Drones - A Critical and Growing Threat Vector

Otago Daily Times

cloudy Dunedin 18 | 8 Monday, 6 September 2021 Send us news & photos

News Sport Life & Style Entertainment Business Regions Fea

Friday, 23 April 2021

## Helicopter pilot horrified at close drone encounter

Forbes

Aug 3, 2021, 09:05am EDT | 18,681 views

## Drone Striking World Trade Center Is A Wake-Up Call

David Hambling Contributor

Aerospace & Defense

*I'm a South London-based technology journalist, consultant and author*

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courier journal

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w York Post reports that a small drone has slammed into a buil
Trade Center complex. No terrorist threat is suspected, but the
ke-up call to the potential threat posed by such drones.

## Ultimate Heliport briefly shut down due to illegal drone activity

Written by defenceWeb - 4th May 2021

*Ultimate Heliport in Midrand.*

The Ultimate Heliport in the Waterfall precinct in Midrand was shut down for an hour on Monday after drones were observed flying in the helicopter flight path.

On 3 May shortly after 08:00, an Ultimate Heliport employee reported seeing two drones operating directly in the helicopter flight path of Ultimate

Home › Nation

## Army opens fire on two drones found hovering over Ratnuchak-Kaluchak military areas in Jammu

*One drone was spotted at 11.45 pm on Sunday night and the other at 2.40 am, officials said. Both em.*

The Big Payoff for Moderate Dems

Newsweek

11.26.2021

Death by DRONE

THEY'RE CHEAP, EASY TO GET AND POTENTIALLY LETHAL— A BAD COMBO IN THE WRONG HANDS

CRIME / COURTS

## Drug cartels attack enemies and spread terror with weaponized drones in US, Mexico

Karol Suárez

Published 6:01 a.m. ET May 24, 2021

Middle East

## Fire extinguished on oil tanker off Syria after suspected drone attack

## Saudi Arabi… Plants After…

TRENDING

"Sidharth Shukla Sent Money During Lockdown": Pratyusha Banerjee's Father

"If We Die …": What Afghan Resistance Leader, Killed, Had Told NDTV

Inside Rishi Kapoor's Birth Anniversary Party. The Cake Stole The Show

CNN World Africa Americas Asia Australia China Europe India Middle East United Kingdom Edition

## Police hunt drone pilots in unprecedented Gatwick Airport disruption

By Sheena McKenzie and Gianluca Mezzofiore, CNN

Updated 0050 GMT (0850 HKT) December 21, 2018


News & buzz

'Almost intentional s… Doctor reacts to Trur… vaccine…

Analysis: Blow to Me… and Harry with UK w… ruling but…

## IDF Shoots Down Hamas Drone That Crossed Into Israeli Territory

i24 by i24 News

A drone that Israeli troops recovered in southern Israel that the military said entered Israeli airspace from the Gaza Strip two days earlier, on August 15, 2021. Photo: Israel Defense Forces.

## Multiple drones hit northeast of Erbil, no casualties: sources

Middle East

## Drone Attack Damages Hangar at US-Coalition Air Base in Iraq

By Edward Yeranian

May 08, 2021 01:54 PM

## Drugs and weapons were given to the windows of the Donacona prison

## Drone activity at Augusta Correctional Center in Craigsville causes lockdowns

# Why is the Malicious Use of Drones a Threat?

The widespread adoption of drone technology has increased the risk and prevalence of disruptive use

## Payload delivery

- **Attacks:** Dropping harmful / explosive payloads (including chemical or biological substances) or creating damage via collision
- **Smuggling:** Moving contraband into sensitive zones such as prisons

## Intelligence gathering

- **Directing attack:** Reporting enemy target location on the battlefield to direct forces
- **Spying and tracking:** Obtaining video, images and track movements of personnel
- **Surveillance:** Using drone images and other payload data to enable reconnaissance


## Nuisance activity

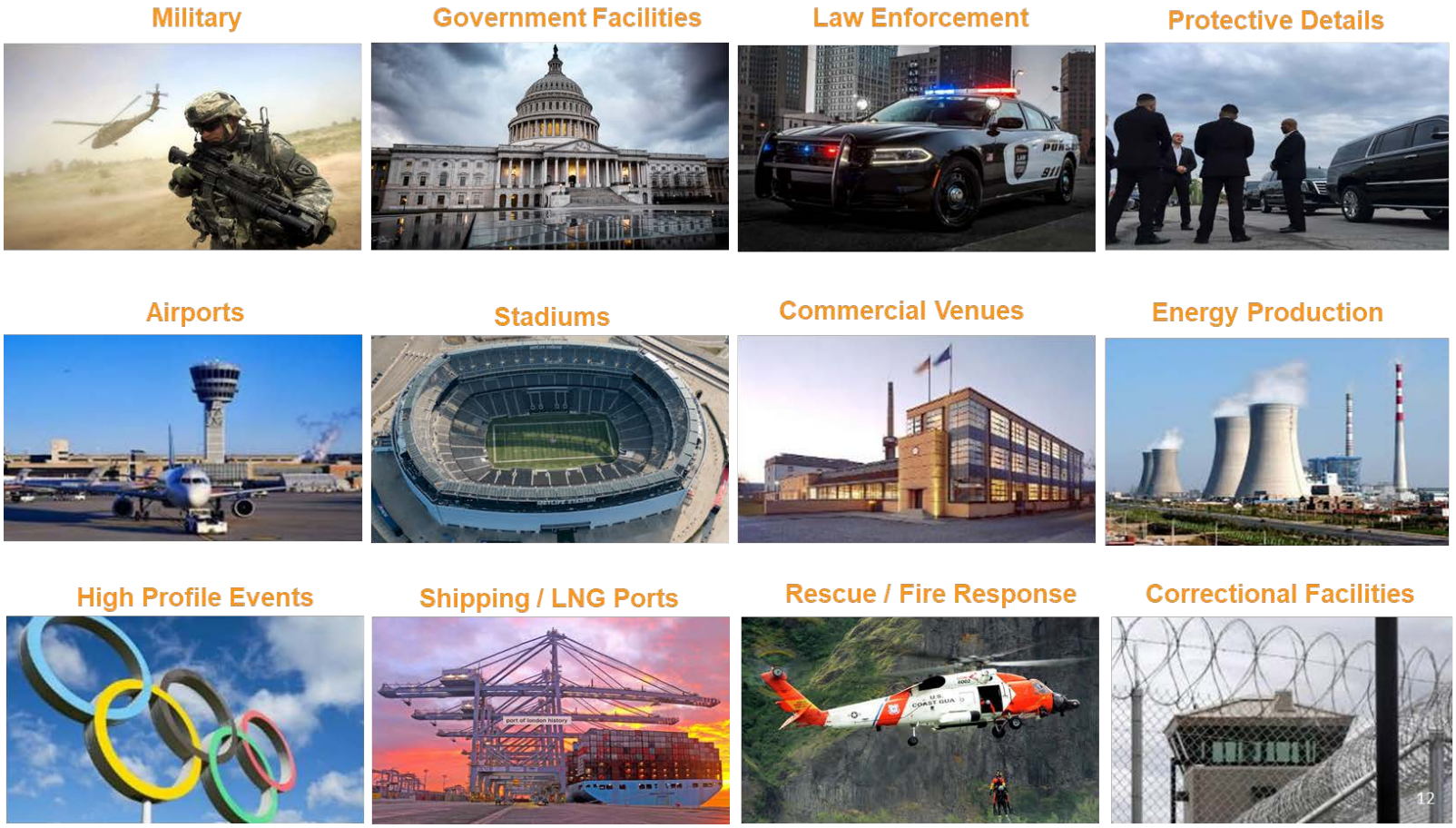
- **Infrastructure disruption:** Using drones to jeopardise the safe operation of major facilities such as airports


## Cyber and Ransom attacks

- **Corporates, Ships, Facilities:** Hack into control networks via proximity intrusion with a drone, and demand ransom or cause terrorist attack

# Counterdrone: Multi-Billion Dollar Market by 2024

Rapidly improving and easily available drone technology is driving demand for counterdrone solutions




*Sources:*
MarchWatch: https://www.marketwatch.com/press-release/counter-uas-market-size-share-growth-business-scenario-insights-industry-analysis-and-forecasts-report-2027-2021-11-11
Markets and Markets: https://www.marketsandmarkets.com/Market-Reports/anti-drone-market-177013645.html
Factors & Factors: https://www.globenewswire.com/en/news-release/2021/08/27/2287713/0/en/Global-Counter-UAV-Market-Size-Share-Expected-to-Reach-USD-2-041-09-Million-by-2026-Facts-Factors.html

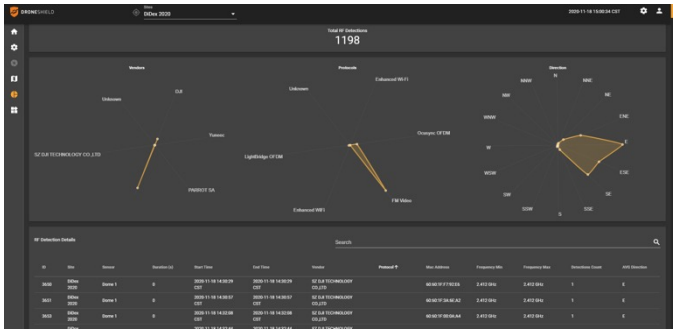
# How does a counterdrone system work?

**Step 1**

## Detect

**Step 2**

## Assess




**Step 3**

## Respond


# Counterdrone detection solutions

DroneShield uses all of the drone detection methods, with multi-sensor approach giving better results

| | Radio frequency | Radar* | Cameras* | Acoustic* |
|---|---|---|---|---|
| **Imagery** |  |  |  |  |
| **Overview** | • Foundational layer<br>• Detects drone comms protocols (via conventional RF library or an AI engine) | • Motion tracker - emits signals which are then reflected back to the radar by targets | • Electro-Optical (EO), Infrared (IR) and Thermal<br>• Video analytics and image capture identification of drone activity | • Compares noise of drone blades or motor to a database of acoustic signatures |
| **Advantages** | ✓ No interference with other sensors<br>✓ Tracks multiple targets<br>✓ Passive – cannot be "seen"<br>✓ Low false alarm rate<br>✓ Direction-finding capability<br>✓ Long ranges<br>✓ Cost effective | ✓ Picks up drones without RF emissions<br>✓ Tracks multiple targets | ✓ Best used for verification, classification and tracking of a target detected by other sensors<br>✓ Potential identification of payloads<br>✓ Provides "eye on target" | ✓ Passive, cost effective<br>✓ Supporting sensor, filling gaps from other sensors |
| **Disadvantages** | × Doesn't pick up RF-silent drones<br>× Requires firmware updates | × False alarms (birds etc)<br>× Is "seen" as emits energy<br>× Longer range detection is expensive<br>× Struggles with hovering drones | × Not well suited for detection on its own due to field-of-view vs distance trade-off<br>× Short ranges | × Short range<br>× False alarms<br>× Cannot locate or track<br>× Requires signature database updates |

* Third party hardware, integrated into DroneShield combined multi-sensor solution, with differentiated offering via AI-powered software layers

# Counterdrone defeat solutions

DroneShield uses smart jamming which has advantages over other technologies, particularly, in its use across civil and military applications, and does not compete against large Defence Primes

Exotic tech, limited reliability

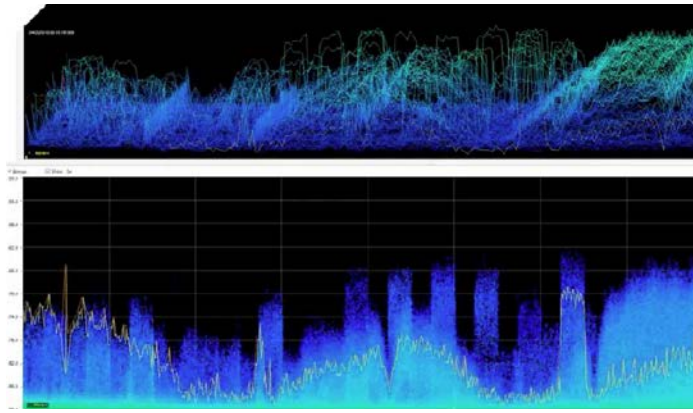
Large Defence Primes dominance area

| | Safe – "soft kill" | | Kinetic – "hard kill" | |
|---|---|---|---|---|
| **DRO offering** | **Smart jamming** | **Spoofing/Cyber** | **Counter-drone drones** | **Projectile fire kinetic systems** | **Directed energy (Laser or microwave)** |
| **Impact** | No intentional damage to the drone | | Physical force used with potential for destructive damage | |
| **Imagery** |  |  |   |  |  |
| **Overview** | • Radio waves force a drone to fly back, hover, or land | • Hijacks the control of a drone | • "Kamikaze" or "catching" drones | • Remote weapons systems shoot down drones | • Lasers and high-power microwave systems "dazzle" or destroy a drone |
| **Advantages** | ✓ Universal effectiveness<br>✓ 360-degree defeat coverage<br>✓ Effective against swarms<br>✓ Civil and military environments | ✓ Allows for the re-routing and re-direction of malicious drone flight paths<br>✓ Applications in both civil and military environments | ✓ "Catching" the drone is available to a wider range of customers | ✓ Effective against Govt-grade drones<br>✓ Established technology for military operations | ✓ Effective against Govt-grade drones<br>✓ Systems can be mounted on naval vessels for complex defence systems |
| **Disadvantages** | × Potential for collateral interference (for a "dirty" jammer) | × Not effective against all drones<br>× Higher chance of collateral damage | × Generally slow to deploy<br>× Not effective against swarms | × Collateral damage<br>× Unsuitable for use in a civil environment | × In early stages<br>× Only available for military applications |

# Artificial Intelligence in Military: US$6bn in 2020, projected to grow to US$12bn in 2025

2021 has seen a major step forward for DroneShield, despite the COVID pandemic challenges

- **A new high-tech area, substantially open to disruption by smaller companies like DroneShield**
- **Sovereign capability aligned – DroneShield well positioned with existing multiple AI contracts with Australian DoD**
- **Competitive differentiation via team skillset, trusted supplier relationship with security clearances, and accumulation of large datasets**
- **Substantially software based, multi-year contracts – reduces lumpiness in earnings, enables high margins**
- **Adjacencies to core DroneShield business of counterdrone**



Market size reference: https://www.marketsandmarkets.com/Market-Reports/artificial-intelligence-military-market-41793495.html

# 2021 Scorecard

2021 has been a major step forward for DroneShield, despite the COVID pandemic challenges

- [x] **On track for another order of magnitude all-time record year for revenues and cash receipts**
- [x] **Expanded past counterdrone into two AI-powered adjacent areas of Electronic Warfare and Computer vision, with Australian DoD contracts for each**
- [x] **Multi-million dollar project: $3.8m 2 year contract with Australian DoD**
- [x] **Ramping up a second outsourced manufacturing facility in preparation for larger orders (no cost to DRO – payment per unit made)**
- [x] **Scaling the high-calibre team from 30 to 60 across Australia, US and UK**
- [ ] **Substantial smoothing of customer cash receipts**

# 2021 Industry Recognition

DroneShield is well regarded across defence industry, winning multiple awards and media focus in 2021

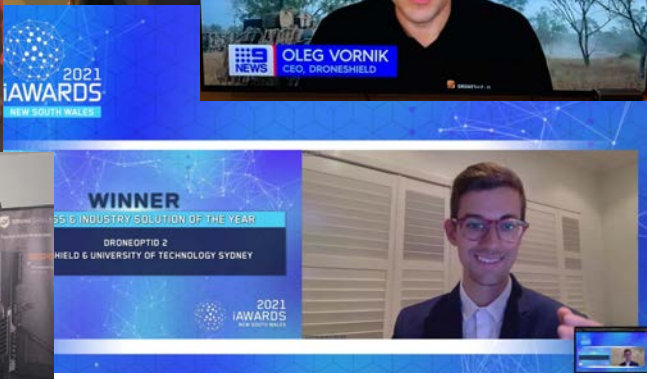








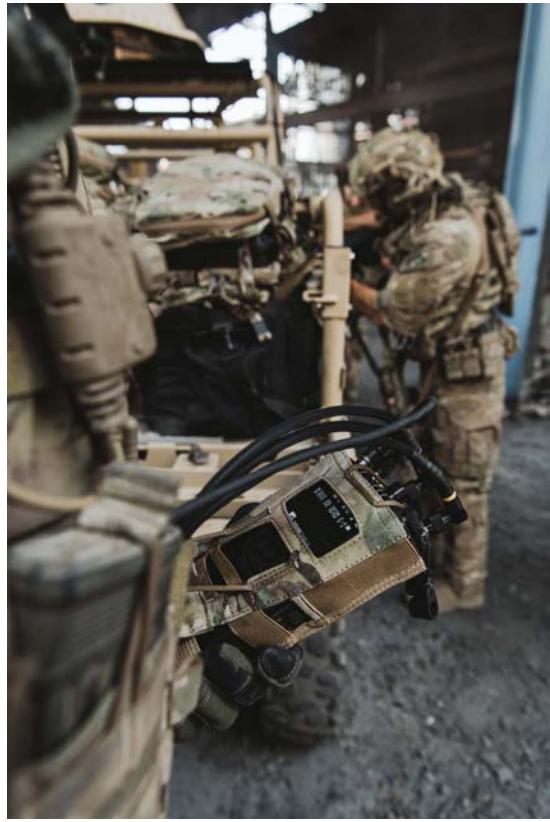






# 2022 Key Priorities

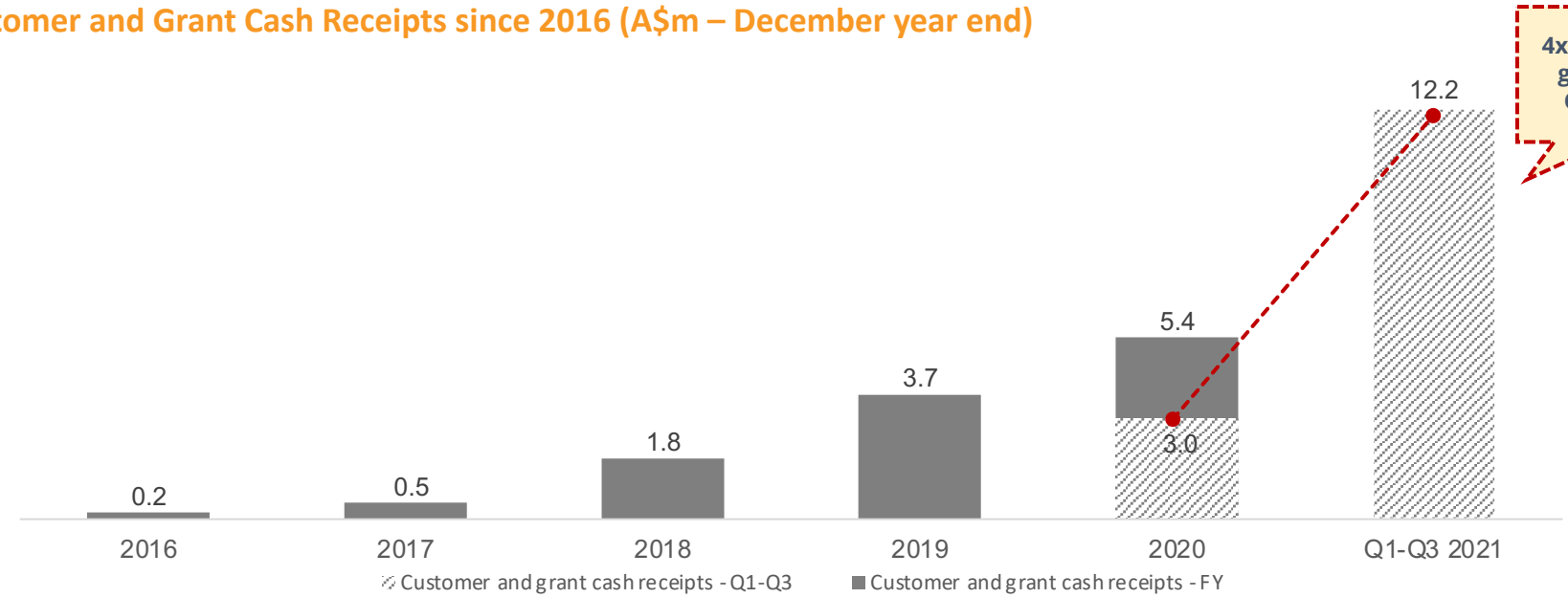
- **Multiple large ($5m+) contracts across multiple countries and customers**
- **Another order of magnitude year of increase in customer cash receipts**
- **Winning contracts adjacent to current core capability, within Artificial Intelligence domains – such as Command-and-Control and Tracking Systems**
- **High-profile contract wins in a teaming consortiums with Defence Primes**
- **Turning cashflow-positive across the business (requires $20-25m of customer cash receipts and grants)**



# Accelerating Cash Receipts

Since 2016, DroneShield's total revenue has grown materially each year, with 2021 shaping as the pivotal year

**Customer and Grant Cash Receipts since 2016 (A$m – December year end)**



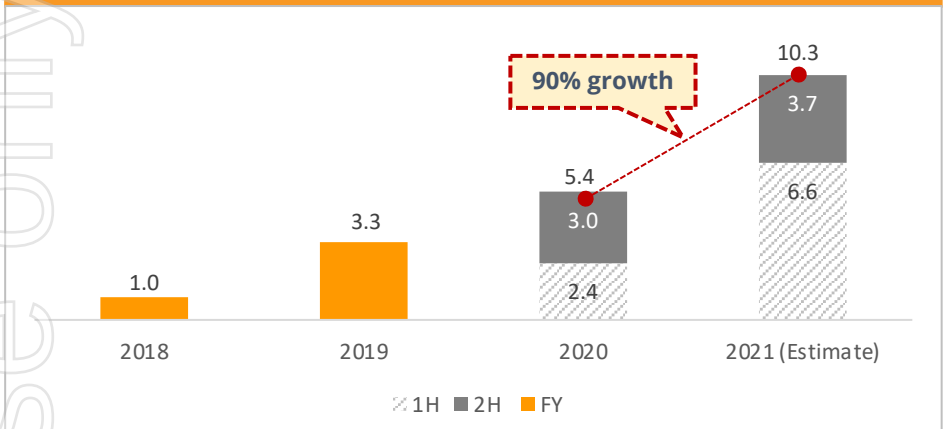

**Selected customers in period**

*Note: $12.2m in Q1-Q3 2021 total cash receipts, includes approximately A$150k of a loan from US Government which was subsequently converted into a grant.*

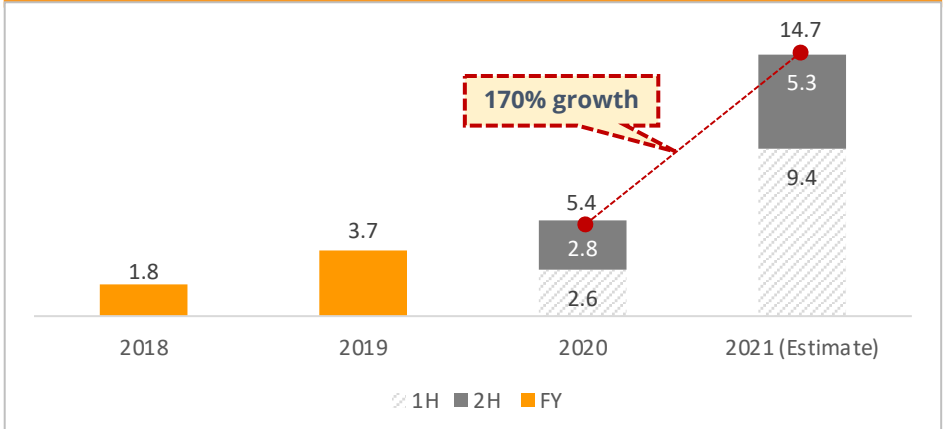
# Financials Summary and 2021 Estimates (A$m, Dec YE)

Rapidly improving financials, as the business stands at an inflection point into 2022

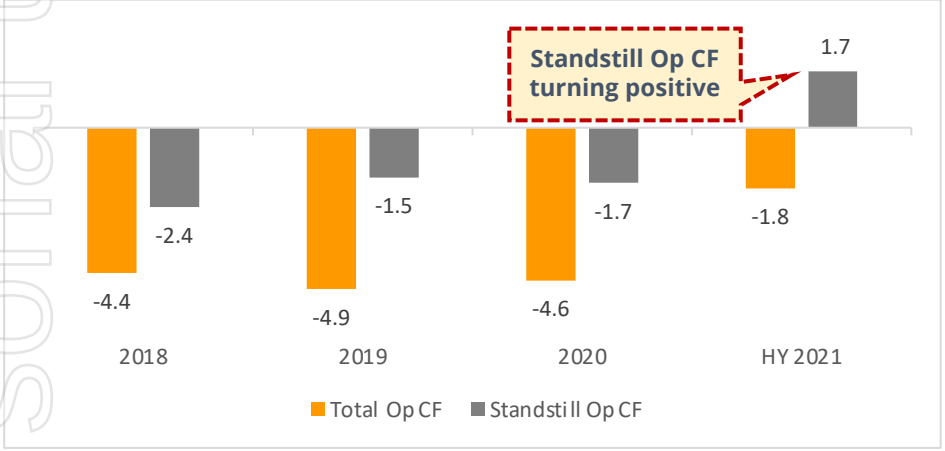
## Rapid Revenue Growth



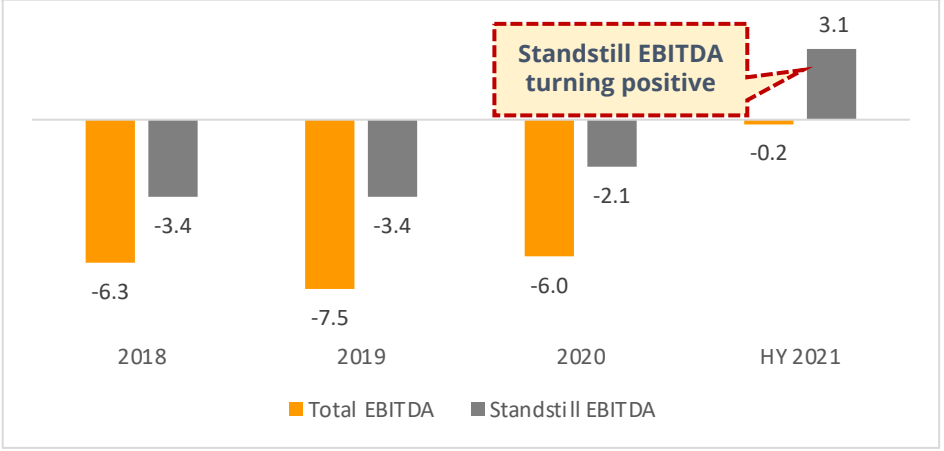

## Rapid Customer and Grant Cash Receipt Growth




## Improving Operating Cashflow




## Improving EBITDA




Notes:
1. Calculation method for Standstill figures is in the Investor FAQ section in the Appendix of this presentation
2. 2021 Revenue and Cash receipts conservatively exclude any larger new wins which may occur prior to 31 Dec 2021

# Proven Progression and Pathway to North Star

Cutting edge proprietary products, powered by AI engine and carrying SaaS pricing, in a rapidly growing market, via multiple proven go-to-market strategies, substantial existing deal pipeline and a world class team



**"North Star" 5-Year Goals**

- ✓ **$100-300m annual revenue with continued focus on growth**
- ✓ **Substantially via recurring SaaS basis (software on DroneShield hardware devices and C2), Electronic Warfare contracts, and hardware sales**
- ✓ **Ongoing review of (and transacting on) high-tech, scalable acquisition opportunities in Australia and the US, in adjacent areas**

**World Class Team of 60 staff (and growing) on 3 continents (Australia, US and UK)**

**Successful R&D, prototype and production at scale**

- ✓ **Feb 14: acoustic sensors**
- ✓ **June 16: DroneGun MKI**
- ✓ **July 17: DroneSentry**
- ✓ **Sep 17: DroneGun MKII**
- ✓ **Feb 18: DroneGun Tactical**
- ✓ **Apr 19: RfPatrol MKI**
- ✓ **Jul 19: DroneGun MKIII**
- ✓ **Aug 19: RfZero**
- ✓ **Nov 19: DroneSentry-X**
- ✓ **Apr 20: RfPatrol MKII**
- ✓ **Feb 21: RFAI Artificial Intelligence Engine**
- ✓ **Aug 21: DroneSim and CompassOne**
- ✓ **Sep 21: SonarOne**

**Track record of delivering increasing sales**

- ✓ **2014: first sales**
- ✓ **2017: $500k cash receipts**
- ✓ **2018: first multi-million dollar sale ($3.8m)**
- ✓ **2019: $3.7m cash receipts**
- ✓ **2020: $5.4m cash receipts**
- ✓ **2021: multiple $1m+ repeat customers orders, incl $3.8m Aus DoD, $12.2m cash receipts for 9 months Sep 21 to date**

**Ongoing move to AI and subscription pricing**

- ✓ **Artificial Intelligence engines across multiple solutions (RF spectrum, computer-vision, sensor-fusion, command-and-control)**
- ✓ **SaaS model overlayed on proprietary hardware**
- ✓ **Pure software C2 product (subscription based) due for release in early 2022**

**Proven go-to-market strategies in a growing sector**

- ✓ **High caliber and growing on-the-ground sales teams in the US, Australia and UK**
- ✓ **Seasoned in-country partners in 120 countries globally**
- ✓ **Rapidly growing counterdrone and Electronic Warfare market**
- ✓ **$200m+ deal pipeline**

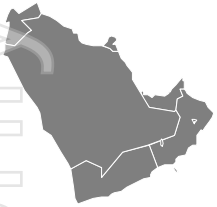
# Trading Update and Outlook

- **Expected 2021 Cash Receipts from Sales and Grants of $14-15m**
- **$200m+ sales pipeline, focus on the US and Australian Government customers**
- **Major US milestones reached, including integration with the US Air Force MEDUSA system, and working towards an acquisition Program of Record**
- **Executing on the $3.8m Electronic Warfare contract with the Australian DoD**
- **Favourable macro environment in Australia and globally, with rising counterdrone and defence expenditure**
- **Continued move to SaaS, with drone detection hardware including subscriptions, and DroneSentry-C2 launching in January 2022 as a C2 subscription platform**


*Brazilian military with DroneGun Tactical and RfPatrol devices*

# Strong Cash Receipts Pipeline of $200m+ to Dec 2022

A significant and geographically diversified pipeline, approx. 85 projects at different maturity stages to Dec 2022



**Middle East**

**Pipeline: $60m / 5 projects**

- Awarded preferred bidder status for two major Government orders, awaiting execution of contract with customer

**Europe**

**Pipeline: $23m / 12 projects**

- Various defence/special forces opportunities
- Airport and prison opportunities

**USA**

**Pipeline: $48m / 33 projects**

- Multiple military/Govt agency order discussions
- Initial purchases across wide range of Govt agencies and successful trials completed

**Australia**

**Pipeline: $18m / 16 projects**

- Orders and R&D contracts with Department of Defence and intelligence agencies

**United Kingdom**

**Pipeline: $6m / 3 projects**

- Sales associated with the partnership with BT
- Primarily Ministry of Defence focused

**Other**

**Pipeline: $60m / 17 projects**

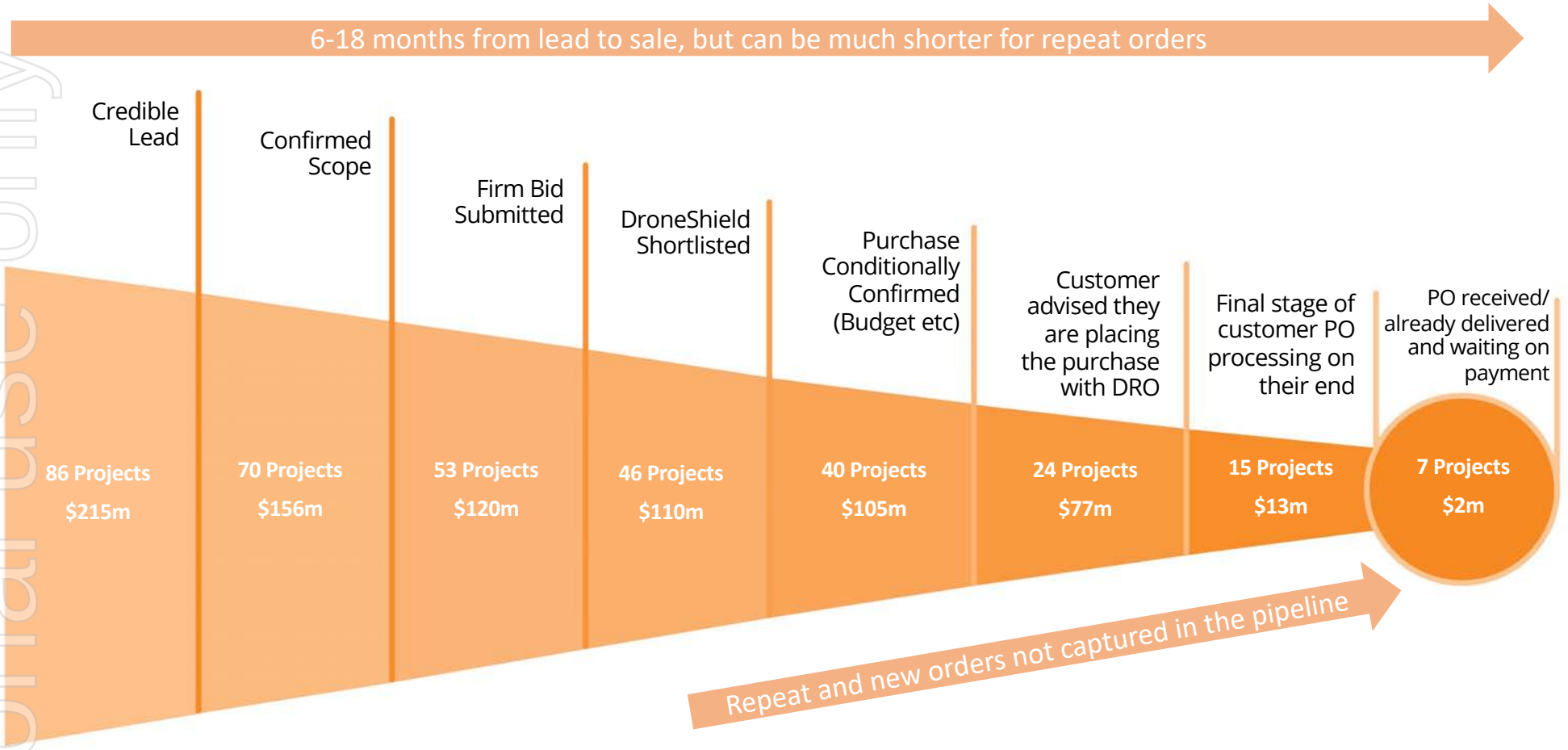
- Diverse range of geographic and product opportunities

- The pipeline includes existing defined sales opportunities at various stages of maturity
- The opportunities are unweighted, and measured as cash receipts to December 2022

Notes: Quoted in Australian dollars. AUD.USD FX rate at 0.71, AUD.EUR FX rate at 0.63, AUD.GBP FX rate at 0.53
Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales

# Diversified and Mature Pipeline

Multiple projects at each development stage improve predictability of cashflows




The pipeline is cumulative – for example, the 70 projects at Confirmed Scope stage are included as part of the 86 projects at the Credible Lead stage

# Defence engagement in Australia

There are lots of access points into Defence with different needs and different approach methods

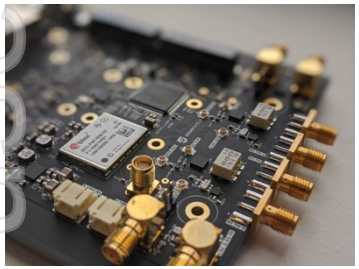
- ✓ **Australian Army / Navy / Air Force**
- ✓ **CASG - Capability Acquisition and Sustainment Group**
- ✓ **Defence Primes**
- ✓ **Defence Science and Technology Group – DSTG**
- ✓ **Defence Innovation Hub**
- ✓ **Industry associations**

# Strategy | Continue Leadership in Counterdrone, Grow Adjacent Capabilities and SaaS

## Three-part Strategy

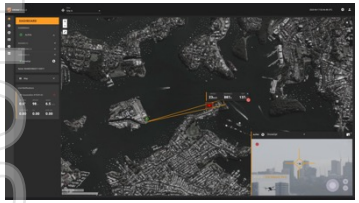
### Continue Leadership in the Counterdrone/Unmanned Threat Sector

- The counterdrone market is growing rapidly, especially in the US
- DroneShield is well positioned as the industry pioneer, with on-the-ground US team, and Australia being part of the Five Eye intelligence alliance (US, UK, Australia, NZ and Canada)



### Grow Adjacent Capabilities

- **Electronic Warfare** (EW): currently delivering on the second, $3.8m contract with the Australian Defence Force
  - EW includes obtaining intelligence of the radiofrequency signals on the battlefield and applying directed energy to jam, degrade, disrupt or neutralise an adversary capability
- **Command-and-Control and Tracking Systems:** providing a central display/control for numerous assets deployed in the field by military, law enforcement and Government agencies
- **Optical Detection and Tracking**: using proprietary AI algorithms to enhance optical/thermal camera capabilities to detect, identify and track objects for military, law enforcement, Government, airport and prisons



### Grow SaaS (Software as a Service) element

- Existing counterdrone detection products include a meaningful ongoing subscription, which will continue to grow with the number of deployed devices in the field – DroneShield provides quarterly software updates
- Adjacent capabilities are purely or mostly software based, either with subscription or longer term R&D cashflows (including counterdrone training and simulation market)

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DRONESHIELD | Appendices

# Rapidly Growing Electronic Warfare Contracts in Hand

- **Electronic Warfare (EW) / Signals Intelligence (SIGINT) area has a number of technology overlaps with counter-drone, as drones utilise radiofrequency spectrum in an increasingly complex and encrypted manner**
- **EW/SIGINT is generally the domain of Defence Primes, however Governments support specialized smaller firms to promote sovereign capability and encourage disruptive technologies**
- **DroneShield has received its first EW contract of approximately $600k in December 2020 with Australian Department of Defence, followed by a $3.8 million 2 year contract received in June 2021**
- **Additional, and larger, follow-on contracts, are targeted for the near term, as DroneShield demonstrates being successful on the projects**
- **Demand for smart EW technologies from sovereign providers (eliminating "backdoor code" concerns by the customer) for spectrum dominance are rapidly growing, and are an essential part of modern warfare**
- **There is minimal Australian based competition with suitable capabilities, for this high-end work**

# DroneShield Capability Overview

Rapidly evolving capabilities in response to customer requirements

## Hardware with Embedded Software and Associated Services

### Dismounted & Body-Worn Counterdrone Solutions

DroneGun

DroneGun Tactical

RfPatrol

DroneNode

### Vehicle / Ship / Fixed Site Counterdrone Solutions

DroneSentry-X

DroneCannon RW

RfZero

DroneSentry

### Training and Simulation

DroneSim

### Location Sensing

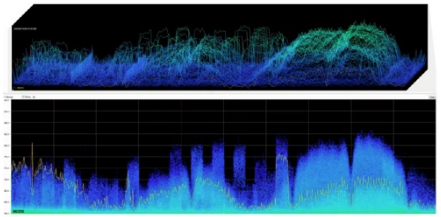
CompassOne

### Underwater detection

SonarOne

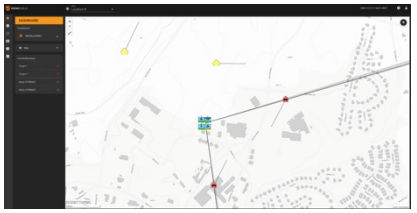
## Subscription and R&D Based Software

### Electronic Warfare and Signals Intelligence



R&D Contracts

### C2 and Universal Tracking Platforms (UTPs)



DroneSentry-C2

### Optical Detection and Tracking AI

DroneOptID

# DroneShield's competitive counterdrone advantage?

C-UAS market pioneer, with a culture of systematic innovation

## Market leading, differentiated technology…

- ✓ Multi-sensor detection, ID and tracking
- ✓ Best-in-breed detection range
- ✓ Best-in-breed defeat range

## …across multiple platforms…

- ✓ Body-worn
- ✓ Vehicle/Ship mounted
- ✓ Fixed site

## …underpinned by AI-powered SaaS…

- ✓ Proprietary software integrated across product suite
- ✓ Difficult to replicate
- ✓ Experienced development team for ongoing upgrades and development

## … and backed by high barriers to entry

- ✓ Established global channels
- ✓ Established relationships with global defence clients
- ✓ World-class talent with leading product design and R&D capabilities

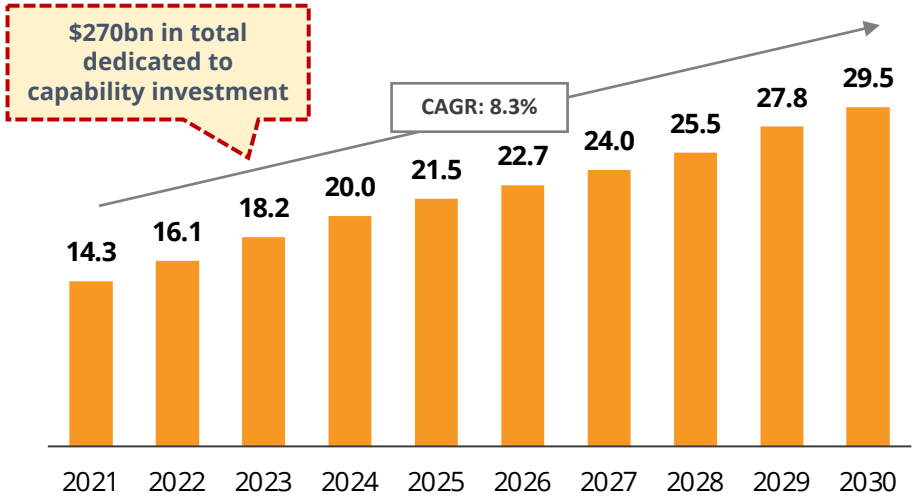
# Australian Government is committed to building home-grown defence sector

The Australian Government's defence spending commitment presents a large opportunity for the sector

## Overview

- Australia has 12th largest defence budget spend globally, which is very substantial for its 25m population
- $270bn of funding allocated towards "capability investment" over the next 10 years, covering a broad suite of military domains across both acquisitions ($220bn) and future sustainment ($50bn)
- Electronic Warfare, Signals Intelligence and AI (key areas for DroneShield, utilised on their own and inside counterdrone technologies) are explicitly declared as priority areas for homegrown defence sector by the Australian Government

## Capability investment funding profile (A$bn)





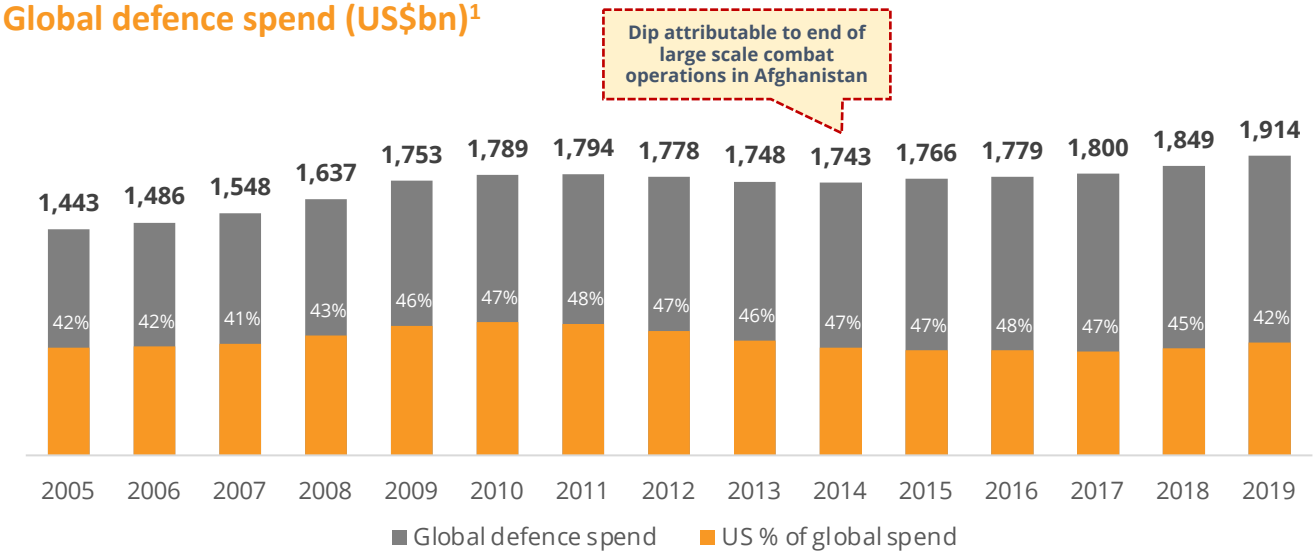
*DroneShield CEO Oleg Vornik with the Australian Minister for Defence Industry, Hon Melissa Price*

# Global defence spending continues to rise

## Overview

- Global military spending in 2019 represented 2.2% of GDP
- Total military spend is primarily attributed to the United States, which grew by 5.3% to total of US$732bn in 2019
- The global increase in spending is predominately attributed to increased tensions and risk of conflict between nation states
- In 2019 China and India were, respectively, the second and third-largest military spenders in the world

## Global defence spend (US$bn)[1]




**Hybrid warfare is shaping modern conflict and DroneShield is positioning to be a leader in this space**

### High intensity conflict

- Strike weapons with enhanced lethality are a core focus of future military doctrine
- Increased defence budgets are being utilised to develop and procure these systems
- Relevant counter-measures are also a core focus

### "Grey zone" activities

- The lines of conflict are being blurred with military action undertaken in a covert nature
- Facilitated by technological advancements
- Infrastructure and services are significant strategic targets

### Artificial intelligence

- Processing large amounts of data quickly and accurately to support military decision making represents a key technological focus for nations
- Artificial intelligence systems will provide decision overmatch capacity in conflict scenarios

DRONESHIELD

- ✓ Counter-measures for pervasive drone technology with applications across multiple mission profiles
- ✓ Safe nature makes products highly suitable for "grey zone" activities

Source: Australian Government - Defence Strategic Update, Stockholm International Peace Research Institute.

# Benefits and applications of safe, layered, counterdrone systems over kinetic systems

Safe counterdrone systems have many advantages over kinetic counter-drone systems, which are only practical for deployment in war-like scenarios

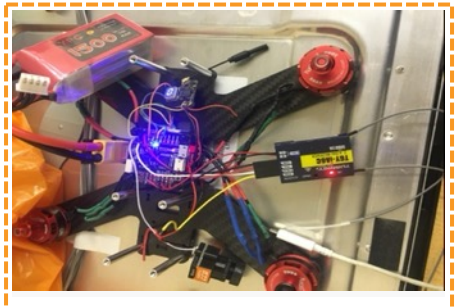
## Avoidance of collateral damage

- DroneShield safe defeat solutions force drones to pre-set emergency protocols causing the drone to fly back to its starting point, hover, or land, allowing for the safe defeat of drones
- Alternatively, kinetic solutions could see a destroyed drone fall on crowds of people or inflict “friendly fire” from fired ammunition

## Evidence for legal prosecution

- A drone which has been forced to land can be collected by local law enforcement to track the whereabouts of its controller
- As drones are usually accompanied by an image recording device, this can be used as legal evidence to prosecute offenders

## Intelligence gathering



- Drones can often carry sensitive instruments or technology
- When forced to land, this technology can be exploited by military personnel to aid in intelligence gathering operations

## Multi-platform with scale benefits

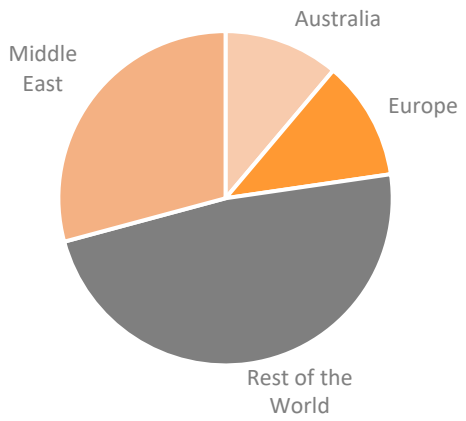
- Safe solutions can be carried on-the-man, mounted on light skinned vehicles and provide continuous passive protection unconstrained by ammunition stores
- Kinetic counter-drone solutions are often mounted on heavy, remote weapon stations and constrained by magazine depth

# Increasing Predictability of Cash Receipts via Balancing Geographies

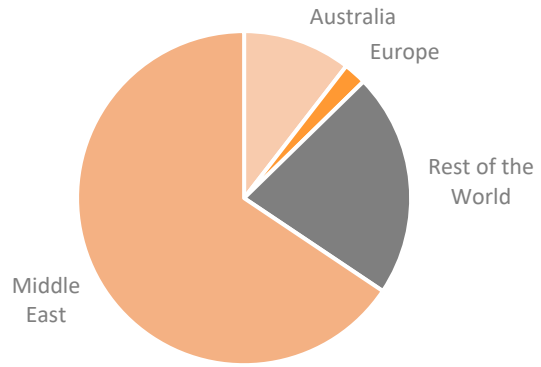
Increasing focus towards the more business-transparent Australian and the US customer base, with deep track record of successfully conducting business (and being paid) in the Middle East



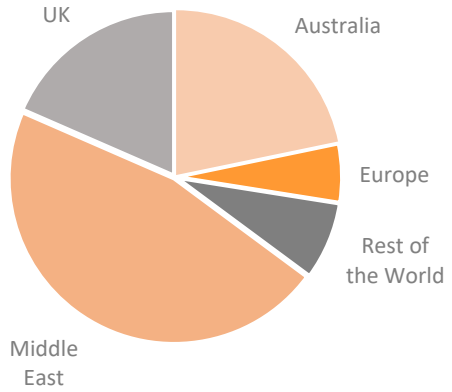
## Cash Receipts in 2017



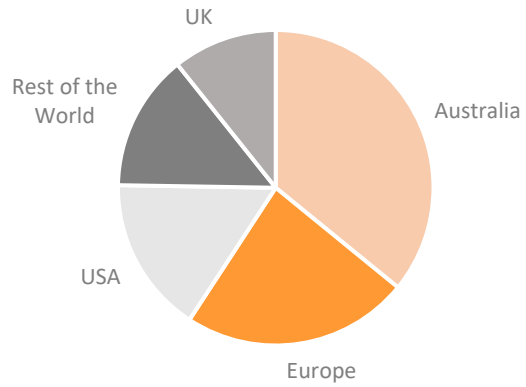

## Cash Receipts in 2018



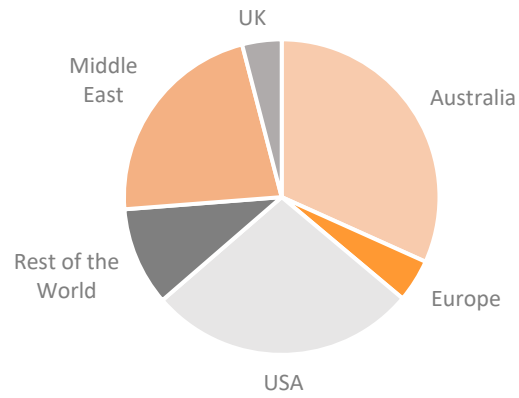

## Cash Receipts in 2019




## Cash Receipts in 2020



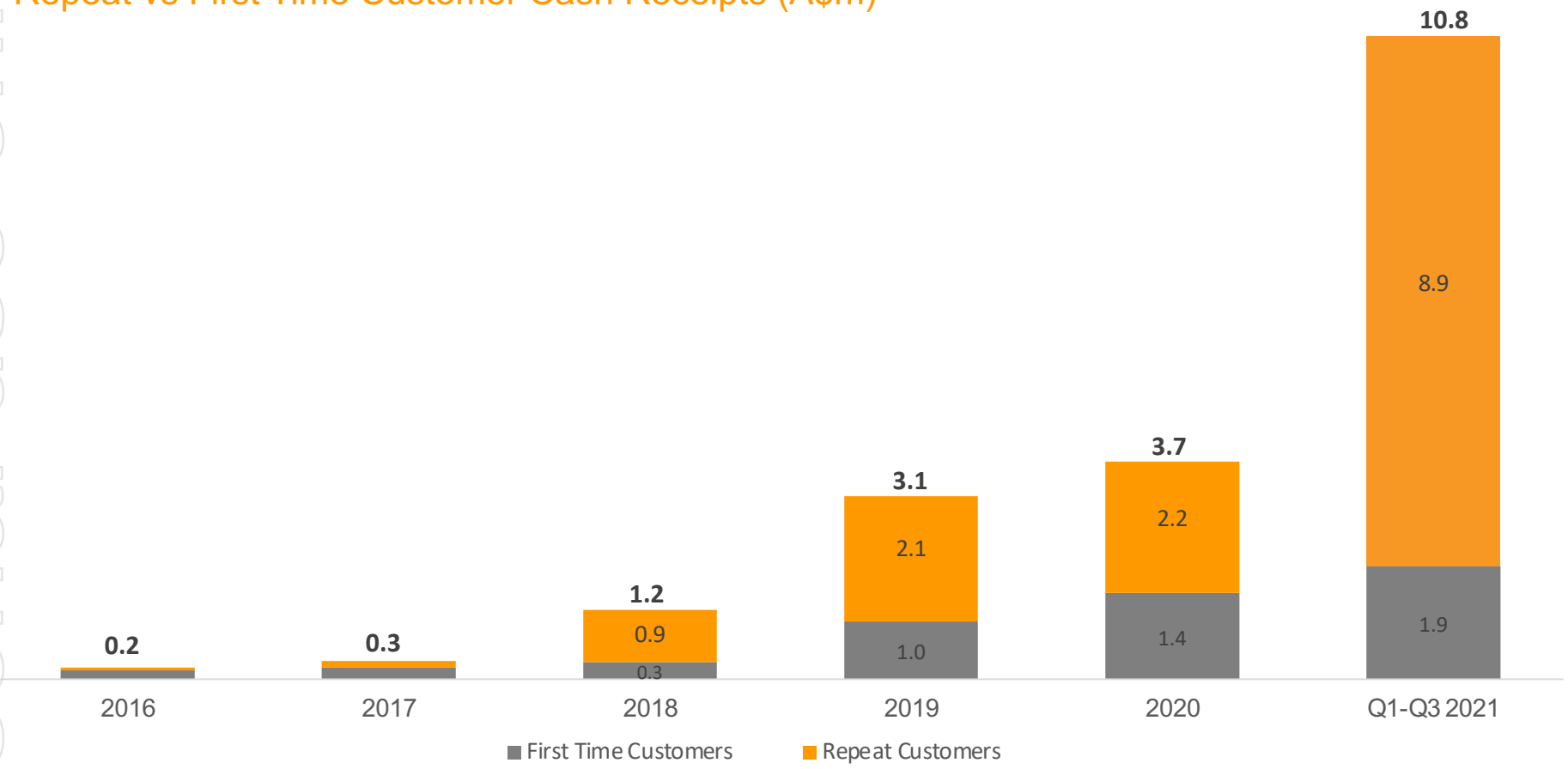

## Cash Receipts in Q1-Q3 2021



# Increasing Predictability of Cash Receipts via Growing Repeat Business

Defence and Government Agencies often have a long acquisition cycle to first purchase, but are loyal and collaborative customers, once on board. DroneShield has been increasing its repeat customer business

## Repeat vs First Time Customer Cash Receipts (A$m)



# Continuous Significant Momentum

- **DroneShield LLC Incorporated** (January 2014)
- **First Acoustic Sensor Sold** (February 2014)
- **DroneShield Limited incorporated** (September 2015)
- **DroneShield Limited IPO** (June 2016)
- **DroneGun MKI Launched** (November 2016)
- **DroneSentinel Launched** (July 2017)
- **DroneSentry Launched** (July 2017)
- **First DroneSentinel Demo** (October 2017)
- **DroneGun MKII Launched** (September 2017)
- **$3.2m Order with Saudi MoD** (June 2018)
- **DroneGun Tactical Launched** (February 2018)
- **RfPatrol MKI Launched** (April 2019)
- **DroneGun MKIII Launched** (July 2019)
- **$9.55m Capital Raise** (August 2019)
- **RfZero Launched** (August 2019)
- **Partnership with British Telecom** (September 2019)
- **Australian DoD Purchases RfPatrol** (October 2019)





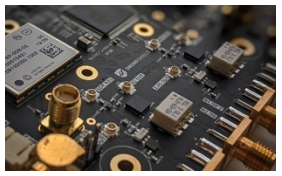




- **Initial US Agency order** (March 2020)
- **DroneSentry-X Launched** (November 2019)
- **USAF Grand Forks order** (July 2020)
- **RfPatrol MKII Launched** (April 2020)
- **US ARFL C2 funding,** (September 2020)
- **$17m capital raise** (September 2020)
- **Swiss Airport Deployment** (December 2020)
- **Government Agency DroneGun Tactical order** (October 2020)
- **RFAI rollout** (February 2021)
- **2x $1m repeat US Agency order** (March 2021)
- **Multiple Sentry-X order** (March 2021)
- **US Law Enforcement order** (April 2021)
- **$3.8m Government Agency order** (June 2021)
- **$7.4m in quarter cash receipts** (July 2021)
- **DroneSim launched** (August 2021)
- **CompassOne launched** (August 2021)
- **Today**
- **SonarOne launched** (September 2021)
- **2022 & Beyond**





# Seasoned senior sales and engineering teams

## DroneShield's experienced team carries a solid track record of delivering growth

### Peter James

**Independent Non-Executive Chairman**

- Peter joined DroneShield's Board of Directors in April 2016
- Over 30 years of experience in the Technology, Telecommunications and Media Industries
- Chairman of ASX-listed companies including Macquarie Telecom and Nearmap

### Oleg Vornik

**CEO and Managing Director**

- Oleg joined DroneShield in 2015, and the Board of Directors in January 2017
- Responsible for overseeing DroneShield's market strategy
- Senior executive experience includes Royal Bank of Canada, Brookfield, Deutsche Bank and ABN AMRO

### Jethro Marks

**Independent Non-Executive Director**

- Jethro joined DroneShield's Board of Directors in January 2020
- CEO and co-founder of the Mercury Retail Group
- Extensive commercial experience in successfully scaling a multinational business

### Carla Balanco

**CFO and Company Secretary**

- Carla joined DroneShield in mid-2018
- Instrumental in scaling the company's financial management systems
- Experience working in Chartered, Commercial and Business Development roles

### Red McClintock

**Sales Director**

- Red served 23 years as an officer in the Royal Australian Navy
- Prior to joining DroneShield, Red worked for five years with BAE Systems as a Business Development and Account Manager

### Katherine Stapels

**General Counsel**

- Kat started her legal career in litigation and moved to an in-house role in 2018
- Kat's previous in-house experience includes manufacture and supply of complex Australian defence technologies
- Registered practitioner of the High Court of Australia

### Angus Bean

**Chief Technology Officer**

- Angus joined DroneShield in early 2016
- Merges the fields of mechanical hardware, electronics, software, digital interface and technology
- Experience as the development lead for Australia's largest industrial design and engineering consultancy

### John Wood

**Sales Director**

- John served in the British Army in Angola, Namibia, Northern Ireland and the Gulf before joining the UK Special Forces
- Co-founder of a global security business
- Owned a tech business supplying specialist operational equipment to the British Army

### Hedley Boyd-Moss

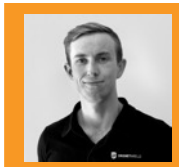
**Vice President, Engineering**

- 30 years of global RF and Electronic engineering
- Working knowledge of regulatory compliance standards
- Specialist knowledge in areas such as antenna manufacturing and RF communication modulation techniques

### Matt McCrann

**Vice President, Sales**

- Experienced business development executive
- Over 15 years of experience in the Defense and National Security sector
- Served in the US Navy as an Intelligence Analyst and a member of NSA/CSS's Cryptologic Direct Support Element



### Lyle Halliday

**Chief Operating Officer**

- Lyle is an experienced Systems Engineer with a background in medical device product development
- Responsible for implementation of processes to ensure customer expectations
- Engineering experience spans electrical, mechanical, manufacturing and software

### Carl Norman

**Embedded Product Engineer**

- Carl is an experienced embedded product engineer who joined DroneShield early in 2019
- Over 25 years of experience in electronic product design, manufacturing and project management
- Background in RF products, analogue, embedded and high speed digital systems

# Capital Structure

| Enterprise Value (A$) | | |
|---|---|---|
| DRO Shares | 17c / share[1] | $71.1m[2] |
| Cash | As at 30 November 2021 | $10.0m |
| Debt | As at 30 November 2021 | nil |
| **Enterprise Value** | | $61.1m |

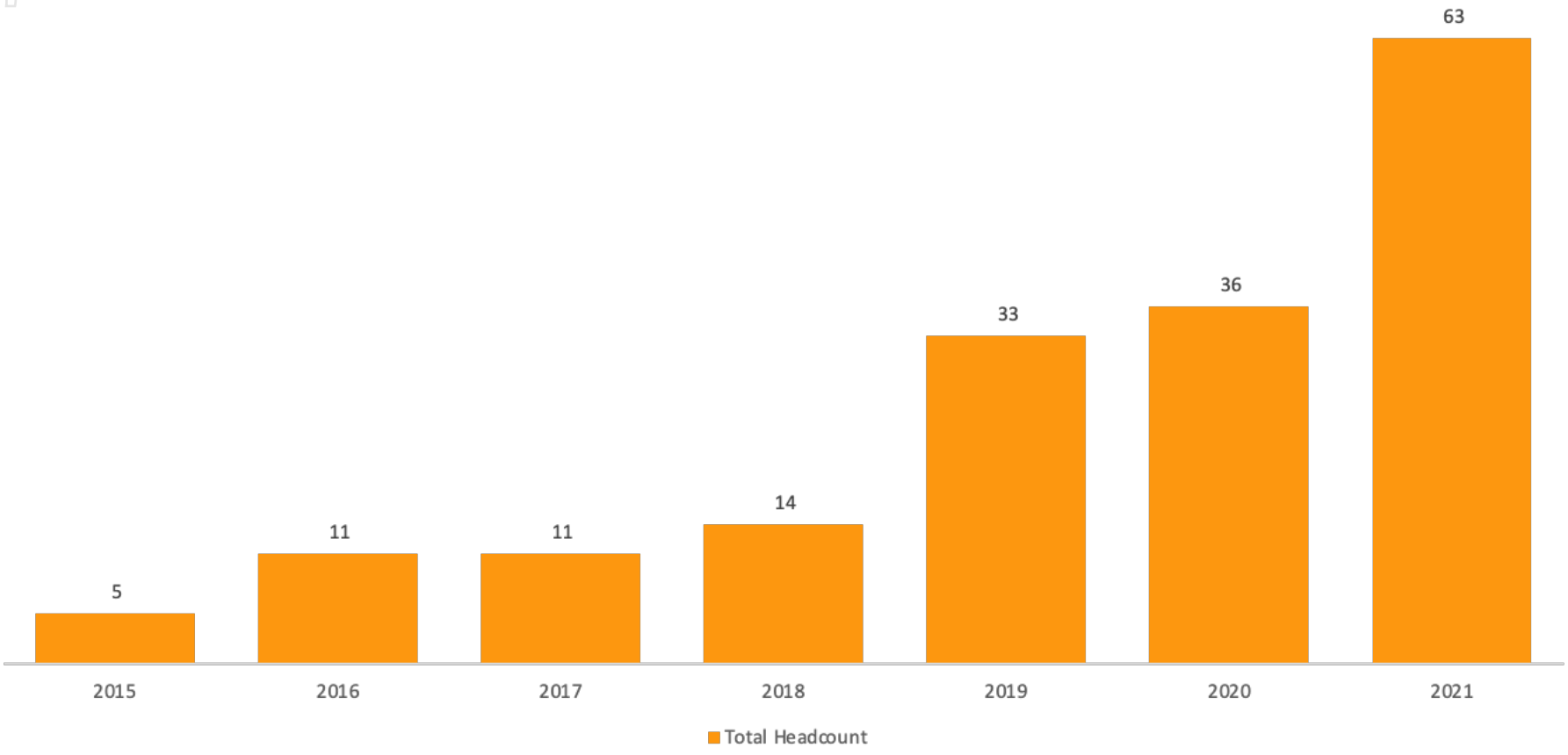
[1] Shareprice as at 3 December 2021. 418,226,152 ordinary shares outstanding at the date
[2] Excluding unlisted options. 24,115,834 unlisted options outstanding as at 3 December 2021

| Director and Employee Shareholdings | | |
|---|---|---|
| Oleg Vornik,<br>CEO and Managing Director | 16,770,022 shares<br>1,250,000 options[2] | 4.01%[1] |
| Peter James, Independent<br>Non-Executive Chairman | 10,052,522 shares<br>662,500 options[2] | 2.40%[1] |
| Jethro Marks,<br>Non-Executive Director | 583,333 shares<br>166,667 options[2] | 0.14%[1] |
| Other Employees | 10,188,954 shares<br>5,866,667 options[2] | 2.44%[1] |

[1] Based on the shares held and excluding options
[2] Options issued at various strike price and maturities. For full information please refer to ASX releases

# Growing and Cohesive Team with Deep Capability

Continued growth of the global team since inception in 2015, across sales, engineering and support roles



# Investor FAQs

## What does DroneShield do?

DroneShield makes hardware and software solutions that detect and safely neutralise small drones (unmanned aerial vehicles or "UAS") used for nefarious purposes, such as terrorism, contraband delivery, and airport disruptions. We also provide Electronic Warfare capabilities to detect "never seen before threats" to the Australian Department of Defence, now on a second multi-million-dollar contract.

## What is the long-term vision for the company?

We believe $100-200m in sustainable annual revenues within the next 5 years is an achievable target.

- DroneShield is currently on track to approximately triple its 2020 cash receipts of $5m, to $15m for 2021, conservatively excluding the larger near-term opportunities which may be finalized this year
- Historically, DroneShield has doubled or tripled cash receipts year on year. While more challenging as the numbers grow, it is offset by expanding target markets and having a more "battle-hardened" team which has now cohesively worked together for a meaningful time

The key driving factors for this are:

- cutting edge proprietary products, powered by DroneShield-designed AI software,
- SaaS pricing – already in many of our products, and growing as a percentage of total over time (less than 10% today, as the model was only introduced approximately a year ago),
- Operating in rapidly growing counterdrone and electronic warfare markets,
- Utilising multiple proven go-to-market strategies with a seasoned salesforce on 3 continents and highly trained and motivated distributor channels, as well as defence prime relationships,
- Substantial existing deal pipeline (critical for defence and Government work, where it can take years to complete the sales cycle for bringing new customers on, especially in a nascent industry),
- Brand equity – DroneShield is the original pioneer in the industry and has undergone extensive successful evaluations with a number of customers globally, and
- A world class team across engineering, sales and operations segments.

# Investor FAQs (continued)

## Who are your customers?

We operate in over 100 countries. Most revenues are from military customers in the US, Australia and the Middle East. Large defence prime contractors such as Thales are also our customers. We have expanded our addressable markets to include Intelligence Services, Police, Airports, and Prisons as sources of customer growth.

## How has COVID-19 affected you?

Despite initial concerns, we have only been marginally impacted by the pandemic and government restrictions. Government customers have continued to buy throughout. Our US team and local in-country distributors have continued engaging with their customer base locally. Our supply chain was not disrupted, though we had to make some adjustments. We continued to ship throughout COVID-19, but we did change delivery to FedEx, UPS and DHL, rather than air cargo.

## How do you generate revenues? Are you a hardware or a software business?

Our drone detection devices are hardware, with subscription-based software on them. As we sell more hardware pieces, the software subscription base increases. This is a recent development, as we only started releasing regular software updates this year, hence currently the software revenues are growing from a small base. Additionally, we are launching our DroneSentry-C2 (Command-and-Control software), as a standalone subscription product, in early 2022. Over the next 5 years, we expect most of our revenues to be SaaS based.

Our R&D contracts are also expected to continue to rapidly rise – we are currently contracted on a 2 year $3.8m and a 1 year $800k contracts with the Australian Department of Defence, both received in 2021, with more expected to come. These represent excellent business for us, as we are essentially paid to develop very advanced capability in-house (and attract and upskill very talented engineers in the process).

The go-to-market is in several ways:

- Seasoned sales teams across Australia, US and UK, supported by Field Service Engineers, and the broader engineering team
- Approximately 120 trained and motivated in-country distributors/partners on a commission-only arrangement, with scalable support from DroneShield via a dedicated partner portal with extensive content such as training videos, as well as support from the sales and engineering teams where required
- Defence and security primes.

Long term trusted relationships between counterparties is the critical component of this strategy, and DroneShield has built a significant position via investing time and effort and resources over last several years.

# Investor FAQs (continued)

## What are your competitive strengths? Why do customers choose DroneShield?

DroneShield is the original pioneer in the counterdrone space, and has the best recognised brand globally in the sector. We have the largest engineering team, and have been in market for the longest, with the largest and broadest customer base of any other supplier globally.

Our products have best drone detection and threat neutralisation rates. Also, we continue to invest a significant amount into R&D with majority of the focus on software development (and release via the SaaS model), as our hardware is sufficiently versatile for foreseeable future.

## How do you protect your intellectual property?

Yes, we have strong proprietary IP and we do use patents to protect our innovations. However, because patents require public reveal of the "secret sauce", we keep most of our technologies as trade secrets. It is virtually impossible to reverse engineer our products due to the degree of encryption of the software, and given how quickly we continue to advance the technology.

## What is your product roadmap?

All of our key product categories (drone detect and defeat across handheld, vehicle/ship and fixed site, plus Electronic Warfare work) are now complete. While hardware will undergo ongoing fine-tuning in response to end-user feedback, the major differentiator (and source of SaaS revenue) is our ongoing cutting edge AI work across radiofrequency, computer vision, sensor-fusion and command-and-control domains.

The Electronic Warfare work is expected to grow through increasingly larger contracts from the Australian DoD from R&D stage and into the deployed battlefield assets, as a software layer enabling greater situational awareness of never-seen-before threats.

# Investor FAQs (continued)

## What is the company's strategy for growth?

We have the Over 75% of the revenues today comes from defence. Intelligence community is second largest vertical at approximately 15% of revenues. This will continue being the key focus for us. Success of mass deployment is a combination of successful trials/smaller purchases, word of mouth, and building up the requirement from the operational level, through procurement, and up to senior officials.

Border security is emerging as a major market, especially in the US, where it receives substantial funding, and Department of Homeland Security is an existing DroneShield customer and product feature contributor at various levels.

Civilian airports represent a major opportunity, and DroneShield is presently participating in counterdrone deployment processes in the US, Australia, UK, South East Asia, South America and Europe (military airports come under the military segment, and DroneShield is already deployed at USAF Grand Forks). A typical airport deployment is worth $500k-$1m upfront to us, plus software subscription fees.

Prisons have been a difficult segment globally due to tight budgets, but we expect to win our share over time. "Drone detection as a service" is likely to be the winning model, where a 5-10 year all-in lease includes not only hardware and software, but also install and in some cases monitoring service. DroneShield has partnered with providers of installation and monitoring services for those situations. In Australia, we are successfully completing our first prison paid trial at present. In the US, the prison opportunities are often State-based, meaning up to 20-25 prisons per tender (rolled out over time).

Stadiums (especially at larger scale, where federal law enforcement protection is involved at bigger events), will equally grow into a meaningful market over next 5 years, as events return after the COVID-19 slowdown.

Corporates (such as banks and container ships) are emerging as a major opportunity, due to drones being able to conduct cyber/ransom attacks on their facilities through hacking into their networks.

Importantly, we are in a strong cash position ($10m cash in the bank as at 30 Nov 2021), which enables time for us to realize the pipeline, with opportunities often taking 6-18 months from their inception to purchase order (and we are now well into their timeframe for many substantial opportunities in the pipeline).

# Investor FAQs (continued)

## Do acquisitions play a part in the growth strategy?

The Board regularly evaluates acquisition opportunities as a way of accelerating organic growth. Given our competitive lead over competitors we are not looking to consolidate other providers. However, we may acquire strategic businesses in high tech defence and security fields, with strong IP and recurring earnings growth. We are very selective and will not grow for the sake of growing, however we have plenty of opportunities regularly presented to us.

## Are you a takeover target?

We are keenly focused on delivering our growth strategy. Having said that, DroneShield is a successful business in a rapidly growing space, with no controlling shareholders. While we don't run the company "for sale", we are a publicly listed entity with an open register, and an acquisition by a strategic player like a defence or security prime, in the next 5 years, would be logical.

# Investor FAQs (continued)

## When do you expect to turn profitable?

Given our competitive strengths and large addressable market opportunities, DroneShield is revenue growth focussed. To help investors understand the underlying profitability of our financial model, we would like to show Standstill EBITDA and Cashflow. This is our operating profit pre growth investments and build-up of inventory. This shows we are profitable and cashflow positive if we did not choose to reinvest in growth and inventory.

### Standstill vs Growth Cashflow

| A$m | Mar 21 | Jun 21 | Sep 21 |
|---|---|---|---|
| Cash receipts | 1.8 | 7.5 | 2.8 |
| R&D Tax Incentive Grant | - | - | (1.1) |
| Standstill cash opex | (1.3) | (1.7) | (1.4) |
| **Standstill cashflow** | **0.5** | **5.8** | **0.3** |
| Growth investments | (1.5) | (1.7) | (0.9) |
| Net inventory investment | (1.6) | (3.4) | (1.6) |
| Combined cashflow | (2.7) | 0.6 | (2.1) |
| Opening quarterly bank balance | 16.3 | 13.6 | 14.3 |
| Closing quarterly bank balance | 13.6 | 14.3 | 12.1 |

### Standstill vs Growth Earnings

| A$m | 1H21 (Jan-Jun 2021) |
|---|---|
| Revenue | 6.7 |
| Standstill opex | (3.6) |
| **Standstill EBITDA** | **3.1** |
| Growth investments | (3.6) |
| EBITDA | (0.5) |

Notes:

- R&D expenditure and R&D tax incentive benefits cash receipt allocated to growth
- Payroll related expenditure for the technical team allocated on an estimated percentage of time spent on business and usual (BAU) and growth tasks
- Payroll related expenditure for the sales team allocated as 1/3 spent on maintaining current customer relationships and 2/3 spent on engaging new customers and business
- Payroll related expenditure for the finance and legal team allocated as 2/3 spent on BAU and 1/3 spent on activities related to growth
- Advertising and marketing expenditure allocated as 1/3 spent on BAU (Maintaining current social media platforms) and 2/3 spent on growth (Conferences, PR consultants, demonstration expenditure etc).
- Sales consultants allocated to growth
- Corporate governance and compliance expenditure allocated to BAU
- General office expenditure allocated as a percentage of the average time spent by staff on BAU or growth activities.

# Investor FAQs (continued)

**What do you see as key re-rating triggers for the stock in the near term?**

1. US Government agency and defence market - we are going through formal evaluation towards setting up a Program of Record with a major US Government agency, starting mid 2022 - initial order alone is expected to be worth approximately A$10m, including A$1m/year in subscriptions. Other opportunities are US Air Force, and further major departments.

2. Australian Department of Defence - following a second, $3.8m order in the Electronic Warfare space, we expect to receive a third EW contract worth $5-10m in the next 6 months, and then a follow-on contract worth $15-20m.

3. Middle Eastern opportunities - several very large opportunities in advanced stages, including US$50m DroneGun contract.

4. Numerous other opportunities, number of them are multi-million-dollar contracts.

# Investor FAQs (continued)

## Can you give an update on the large Middle Eastern deal?

We continue to regularly engage with the customer, and the contract with them (US$50m) is in a fully negotiated stage, with the final signature as the next step. The customer has made a A$2.5m payment to us in 2Q21, the remaining amount under their last contract with us, and have a real pressing need for our equipment. The relationship is positive. However, the nature of Middle Eastern deals, is timing can stretch, and while we expect to close that deal (which will be working capital positive at all times), it is hard to predict the exact timing.

## Would any of your larger deals need a capital raise for working capital?

Generally, no. The Middle Eastern deals all involve large upfront deposits to take care of working capital. The US Government deals are usually on net 30 (payment 30 days after delivery) basis, however DroneShield has approx $11m in stock on hand for filling orders, and also can rely on EFIC (Australian Export Finance Agency) to fund any export deals on attractive terms.

## What are the key execution priorities for you in 2022?

1. US sales: converting trial and integration successes into large multi-million-dollar contracts
2. Australia sales: expanding on the initial $3.8m Electronic Warfare contract into the next, and larger, contract
3. Technology: continue to rapidly scale our AI engine software for SaaS deployments, and release DroneSentry-C2 in 1Q22 on subscription basis
4. M&A: continue to review and successfully implement appealing acquisition options

All of these priorities include continuing to attract, fully engage and retain world class talent across our Australian and US operations.

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