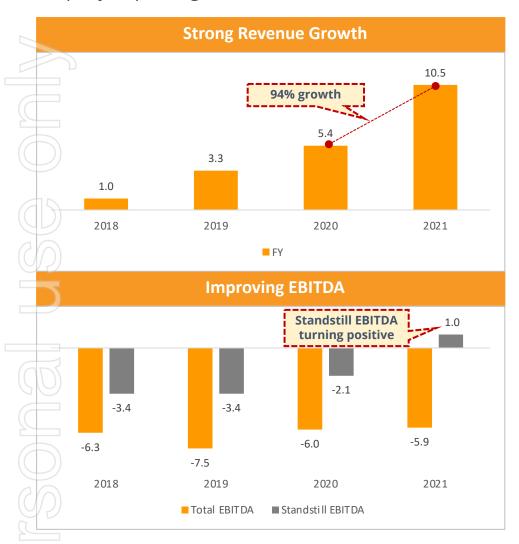
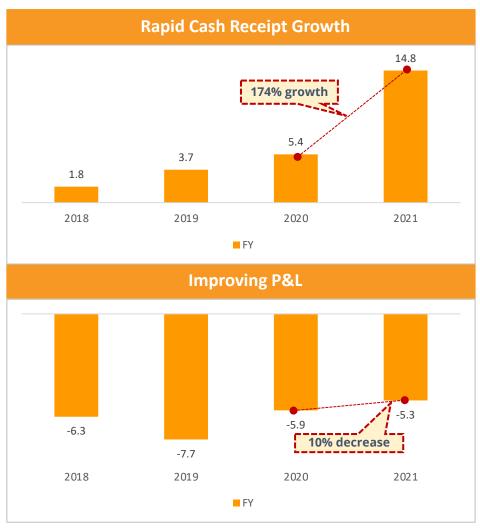


2021 Full Year Summary (A\$m, Dec YE)



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





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,
Department of
Homeland Security

Rapid growth, 2021 cash receipts up 3x on pcp, \$9.5m cash¹ to fund accelerated growth strategy

Strong and diversified 2022 pipeline of over \$160m in projects.
Total pipeline of over \$290m



Counterdrone: Multi-Billion Dollar Market by 2024



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





Government Facilities



Law Enforcement



Protective Details



Airports



Stadiums



Commercial Venues



Energy Production



High Profile Events



Shipping / LNG Ports



Rescue / Fire Response



Correctional Facilities



Sources:

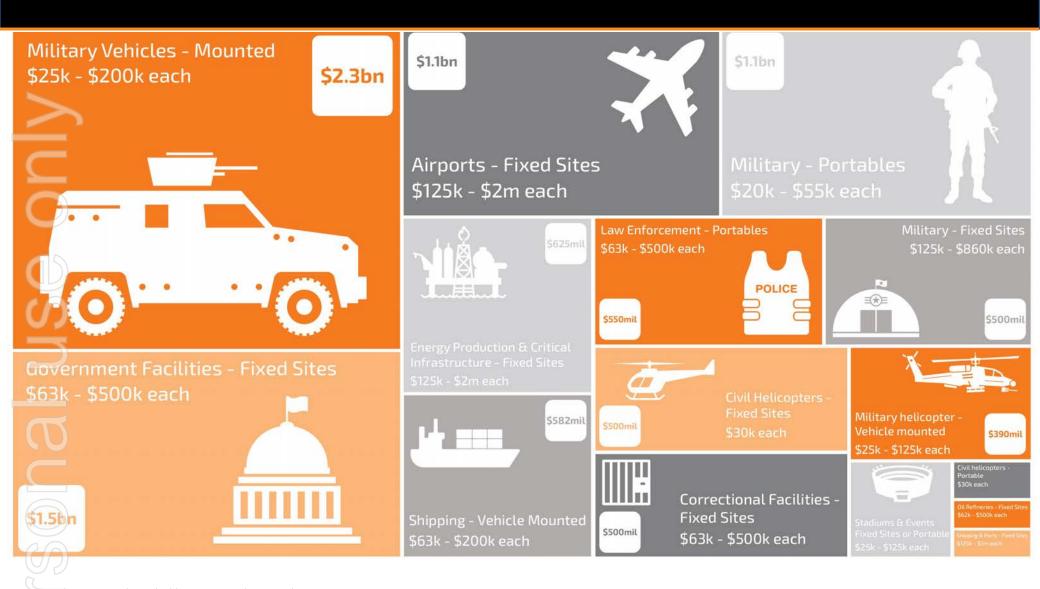
MarchWatch: https://www.marketwatch.com/press-release/counter-uas-market-size-share-growth-business-scenario-insights-industry-analysis-and-forecasts-report-2027-2021-11-11 Markets and Markets: https://www.marketsandmarkets.com/Market-Reports/anti-drone-market-177013645.html

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

US\$10bn Total Addressable Market





Al Generally: US\$58bn in 2021, US\$310bn in 2026 Al in Military: US\$6bn in 2020, 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



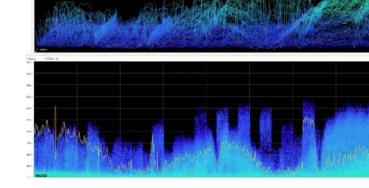
Competitive differentiation via team skillset, trusted supplier relationship with security clearances, and accumulation of large datasets



Substantially software based, multi-year contracts – reduces lumpiness in earnings, enables high margins



Adjacencies to core DroneShield business of counterdrone





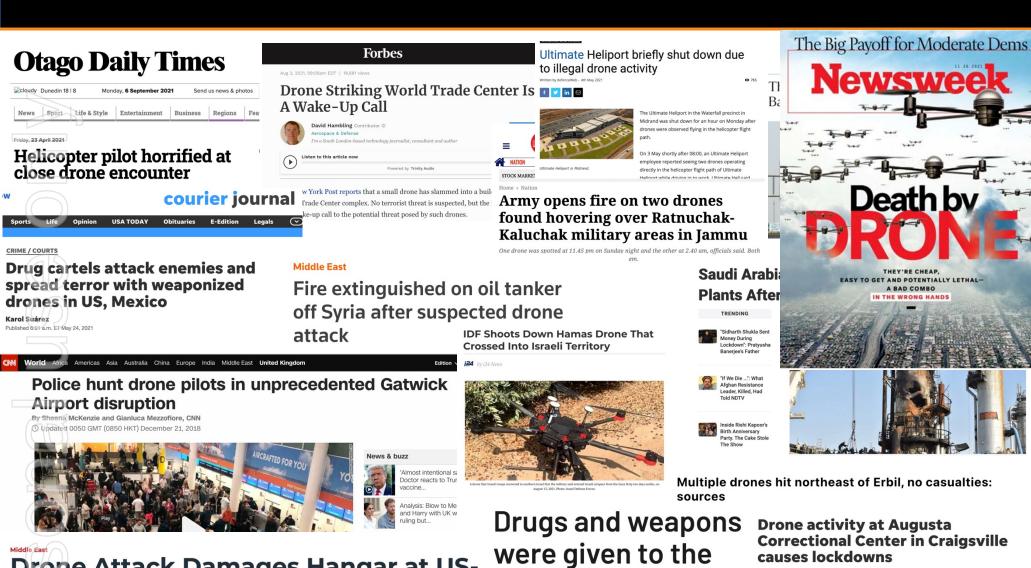
Drones - A Critical and Growing Threat Vector

Drone Attack Damages Hangar at US-

Coalition Air Base in Iraq

May 08, 2021 01:54 PM





windows of the

Donacona prison

www.droneshield.com **proneshield**

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

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

Artificial Intelligence in Electronic Warfare Artificial Intelligence in computer vision and sensor fusion

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

Synergies between counterdrone and non-drone applications

- 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

- 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

- Executing on a 1-year initial \$800k contract with Australian DoD
- Expecting follow up work, potentially within the timeframe of the current contract
- In tenders with multimillion-dollar total opportunities, including for Tracking Systems



How does a counterdrone system work?



Step 1

Step 2

Step 3

Detect

Assess

Respond











Counterdrone detection solutions



DroneShield uses multi-sensor drone detection for optimal results

	Radio frequency	Radar*	Cameras*	Acoustic*
Imagery				
Overview	 Foundational layer Detects drone comms protocols (via conventional RF library or an Al engine) 	 Motion tracker - emits signals which are then reflected back to the radar by targets 	 Electro-Optical (EO), Infrared (IR) and Thermal 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 ✓ Tracks multiple targets ✓ Passive – cannot be "seen" ✓ Low false alarm rate ✓ Direction-finding capability ✓ Long ranges ✓ Cost effective 	✓ Picks up drones without RF emissions✓ Tracks multiple targets	 ✓ Best used for verification, classification and tracking of a target detected by other sensors ✓ Potential identification of payloads ✓ Provides "eye on target" 	 ✓ Passive, cost effective ✓ Supporting sensor, filling gaps from other sensors
Disadvantages	 Doesn't pick up RF-silent drones Requires firmware updates 	 False alarms (birds etc) Is "seen" as emits energy Longer range detection is expensive Struggles with hovering drones 	 Not well suited for detection on its own due to field-of-view vs distance trade-off Short ranges 	 Short range False alarms Cannot locate or track Requires signature database updates

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

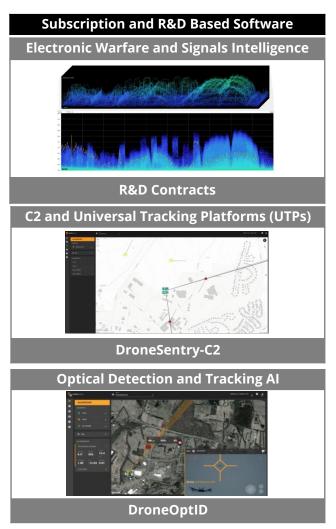
				Exotic tech, imited reliability		dominance area
		Safe – "soft kill"			Kinetic – "hard kill"	1
	DRO offering	Smart jamming	Spoofing/Cyber	Counter-drone drones	Projectile fire kinetic systems	Directed energy (Laser or microwave)
	lmpact	No intentional da	mage to the drone	Physical force u	sed with potential for dest	ructive damage
	Imagery					
	Overview	 Radio waves force a drone to fly back, hover, or land 	Hijacks the contro	ol • "Kamikaze" or "catching" drones	 Remote weapons systems shoot down drones 	 Lasers and high- power microwave systems "dazzle" or destroy a drone
	Ádvantages	 ✓ Universal effectiveness ✓ 360-degree defeat coverage ✓ Effective against swarms ✓ Civil and military environments 	 ✓ Allows for the rerouting and redirection of malicious drone flight paths ✓ Applications in both civil and military environments 	✓ "Catching" the drone is available to a wider range of customers	 ✓ Effective against Govt-grade drones ✓ Established technology for military operations 	 ✓ Effective against Govt-grade drones ✓ Systems can be mounted on naval vessels for complex defence systems
	Disadvantages	 Potential for collateral interference (for a "dirty" jammer) 	Not effective against all dronesHigher chance of collateral damage	Not effective	Collateral damageUnsuitable for use in a civil environment	In early stagesOnly available for military applications

DroneShield Capability Overview



Rapidly evolving capabilities in response to customer requirements





2021 Scorecard



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



On track for another order of magnitude all-time record year for revenues and cash receipts



Expanded past counterdrone into two Al-powered adjacent areas of Electronic Warfare and Computer vision, with Australian DoD contracts for each



Multi-million dollar project: \$3.8m 2 year contract with Australian DoD



Ramping up a second outsourced manufacturing facility in preparation for larger orders (no cost to DRO – payment per unit made)



Scaling the high-calibre team from 30 to 60 across Australia, US and UK



Substantial smoothing of customer cash receipts



Brazil military with DroneSentry™ installation

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)



DroneShield RfPatrolTM with soldier radios that the device is operable with, DroneSentry- X^{TM} in the background

2022 Pipeline of \$160m, with a further \$130m of projects tracked for 2023+



A significant and geographically diversified pipeline, approx. 80 projects at different maturity stages to Dec 2022



2022 Pipeline: \$59m / 5 projects

- Awarded preferred bidder status for two major Government orders
- KSA and UAE are the main opportunities



2022 Pipeline: \$10m / 6 projects

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



2022 Pipeline: \$64m / 39 projects

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



Australia

2022 Pipeline: \$11m / 16 projects

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



2022 Pipeline: \$2m / 3 projects

- Sales associated with BT partnership
- Primarily Ministry of Defence focused
- Expecting first major multi-year tender win shortly



Other

2022 Pipeline: \$15m / 15 projects

Diverse range of geographic and product opportunities

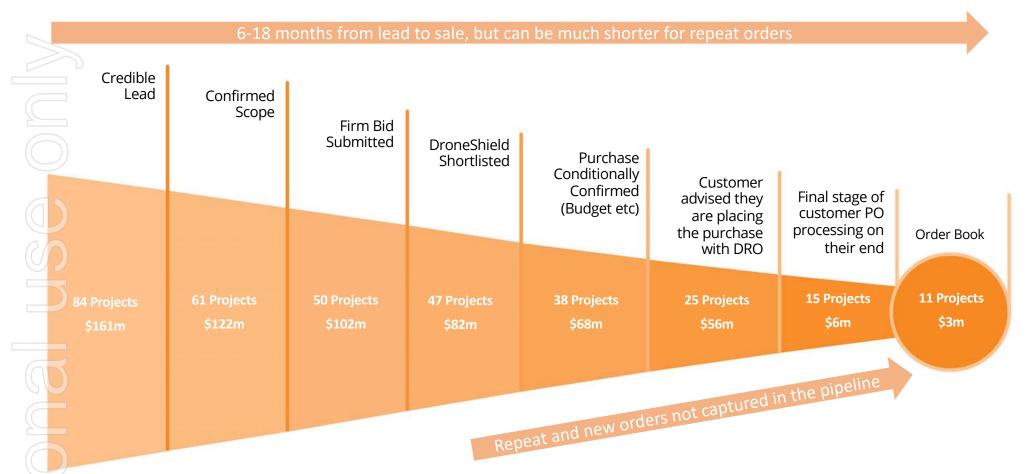
- The pipeline includes existing defined sales opportunities at various stages of maturity
- The opportunities are unweighted, and measured as cash receipts to December 2022



Diversified and Mature Pipeline (Cash Receipts to Dec 2022 only)



Multiple projects at each development stage improve predictability of cashflows



The pipeline is cumulative – for example, the 61 projects at Confirmed Scope stage are included as part of the 80+ projects at the Credible Lead stage

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 Al 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)

Contact details



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Warrenton, Virginia

7140-B Farm Station Rd, Warrenton, VA 20187 USA

Phone: +1 (540) 215-8383





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, sensorfusion, command-andcontrol)
- ✓ 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

Growing Electronic Warfare Business Segment





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 expected, 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's competitive counterdrone advantage?



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

Market leading, differentiated technology... ...across multiple platforms... **Body-worn** Multi-sensor detection, ID and tracking **Best-in-breed detection range** Vehicle/Ship mounted Best-in-breed defeat range **Fixed site** ...underpinned by AI-powered SaaS... ... and backed by high barriers to entry **Proprietary software integrated across Established global channels** product suite **Established relationships with global** Difficult to replicate defence clients **Experienced development team for** World-class talent with leading ongoing upgrades and development product design and R&D capabilities

Australian Government is committed to building homegrown defence sector



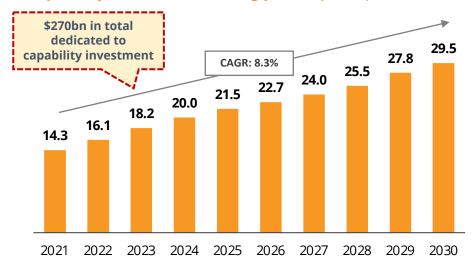
The Australian Government's defence spending commitment presents a large opportunity for the sector

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

National Civil Innovation Award President of the Cornic C

Capability investment funding profile (A\$bn)



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

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



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 thirdlargest military spenders in the world







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



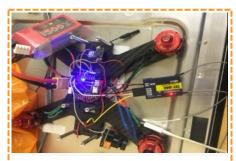
- DroneShield safe defeat solutions force drones to pre-set emergency protocols causing the drone to fly back to its starting point, hover, or land, allowing for the safe defeat of drones
 - Alternatively, kinetic solutions could see a destroyed drone fall on crowds of people or inflict "friendly fire"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

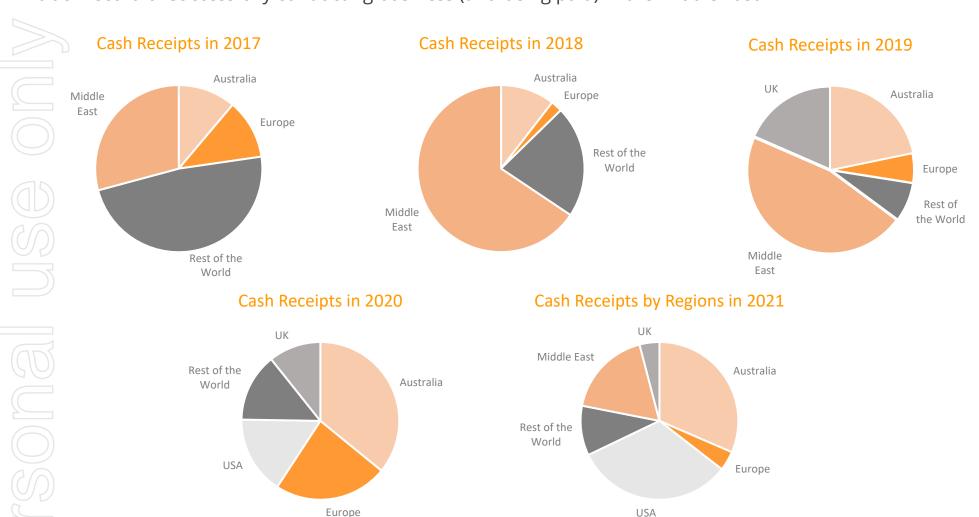


- Safe solutions can be carried on-the-man, mounted on light skinned vehicles and provide continuous passive protection unconstrained by ammunition stores
- Kinetic counter-drone solutions are often mounted on heavy, remote weapon stations and constrained by magazine depth

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

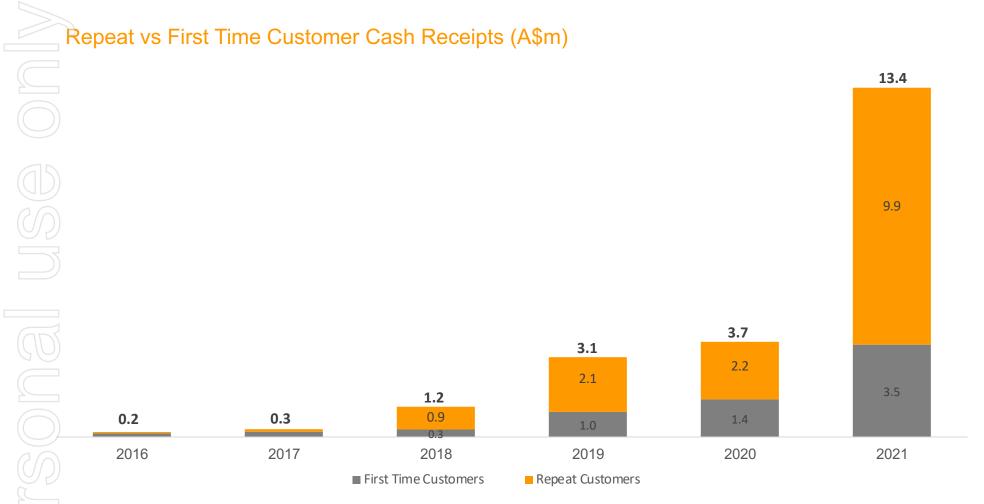


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Increasing Predictability of Cash Receipts via Growing Repeat Business



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



Seasoned senior sales and engineering teams



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



Peter **lames** Independent Non-Executive Chairman



Oleg Vornik **CEO** and Managing



Marks Independent **Executive**

Jethro



Balanco CFO and Secretary



Red McClintock Director

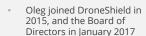


Katherine Stapels General

Peter joined DroneShield's Board of Directors in April 2016

Over 30 years of experience in the Technology, Telecommunications and Media Industries

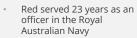
Chairman of ASX-listed companies including Macquarie Telecom and Nearmap



- Responsible for overseeing DroneShield's market strategy
- Senior executive experience includes Royal Bank of Canada, Brookfield, Deutsche Bank and ABN **AMRO**



- CEO and co-founder of the Mercury Retail Group
- Extensive commercial experience in successfully scaling a multinational business
- Carla joined DroneShield in mid-2018
- Instrumental in scaling the company's financial management systems
- Experience working in Chartered, Commercial and **Business Development roles**



- Prior to joining DroneShield, Red worked for five years with BAE Systems as a Business Development and Account Manager
- 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



Iohn Wood

Sales



Hedley **Boyd-Moss**

President. **Engineering**



Matt **McCrann**

U.S. CEO



Lyle **Halliday**

Chief Operating Officer



Carl Norman

Embedded Product Engineer

- 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 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



- Working knowledge of regulatory compliance standards
- Specialist knowledge in areas such as antenna manufacturing and RF communication modulation techniques
- 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 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 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

Industry Recognition



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













Export & Investment Awards

DroneShield

Winner 2021 **ADVANCED TECHNOLOGIES**



Recognised for excellence in sustaining our business in a year of unprecedented challenges due to the COVID-19 global pandemic







Capital Structure



	Enterprise Value (A\$)				
	DRO Shares	16c / share ¹	\$66.9m²		
	Cash	As at 31 December 2021	\$9.5m		
	Debt	As at 31 December 2021	nil		
_	Enterprise Value		\$57.4m		

¹Shareprice as at 21 February 2022. 418,226,152 ordinary shares outstanding at the date Excluding unlisted options. 39,465,834 unlisted options outstanding as at 14 January 2022

Director and Employee SI	rector and Employee Shareholdings				
Oleg Vornik, CEO and Managing Director	16,770,022 shares 1,250,000 options ²	4.02% ¹			
Peter James, Independent Non-Executive Chairman	10,052,522 shares 662,500 options ²	2.40%1			
Jethro Marks, Non-Executive Director	583,333 shares 166,667 options ²	$0.14\%^{1}$			
Other Employees	10,188,954 shares 21,216,667 options ²	2.44% ¹			

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

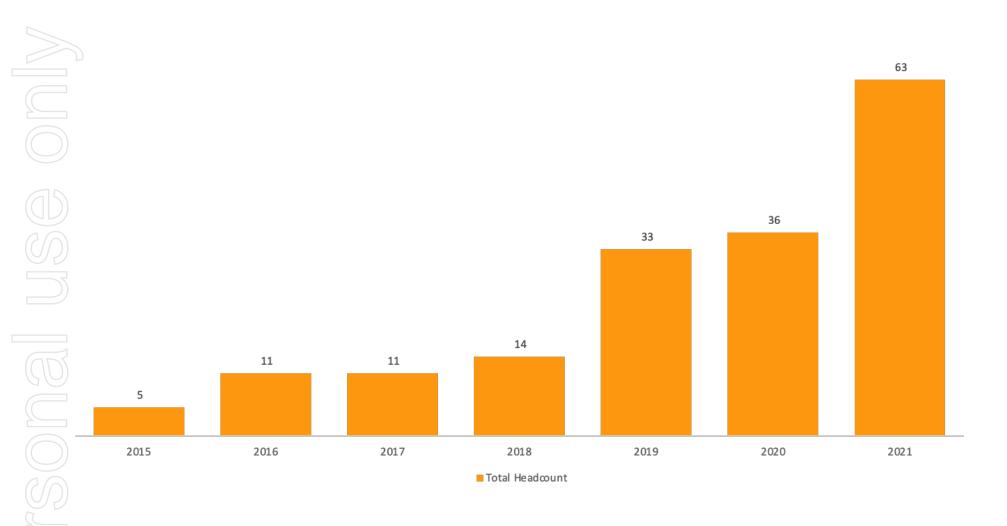


RfPatrol™ deployed with a European end-user

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 Al 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.



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.



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.

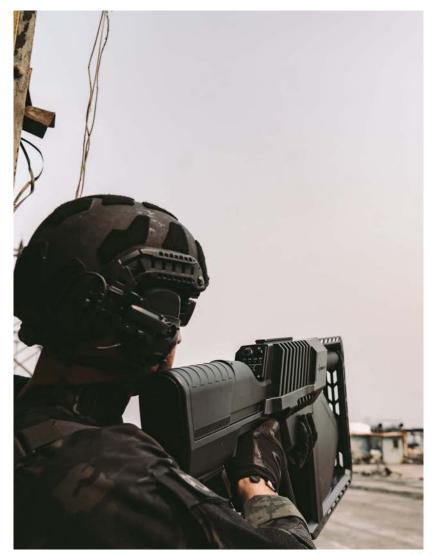
How do you protect your intellectual property?

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 Al 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.





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).





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?

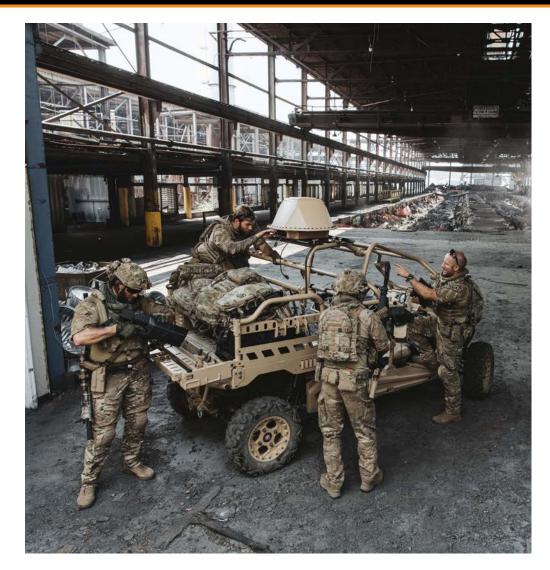
We are keenly focused on delivering our growth strategy. Having said that, DroneShield is a successful business in a rapidly growing space, with no controlling shareholders. While we don't run the company "for sale", we are a publicly listed entity with an open register, and an acquisition by a strategic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





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, in second half of 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.
 - 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.
- Middle Eastern opportunities several very large opportunities in advanced stages, including US\$50m DroneGun contract.
 - Numerous other opportunities, number of them are multimillion-dollar contracts.





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?

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. 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 \$15m in stock on hand (by sale value) for filling orders, and

- Technology: continue to rapidly scale our AI engine software for SaaS deployments, and release DroneSentry-C2 in 1Q22 on subscription

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