DRONESHIELD

AI-Enabled Platforms for Protection against Advanced Threats

2021 Full Year Results (ASX:DRO)

February 2022

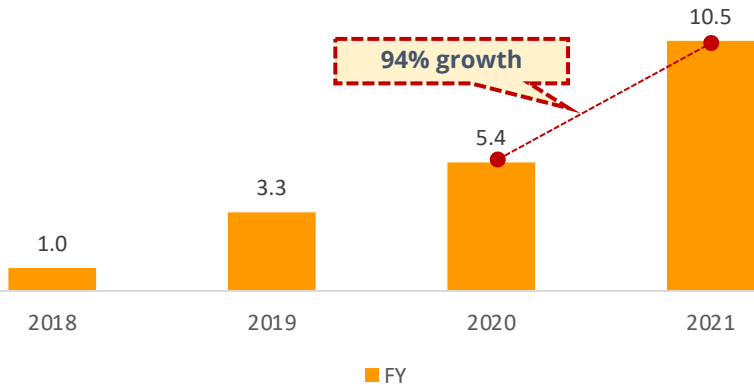*Image: DroneShield product testing at anechoic chamber*
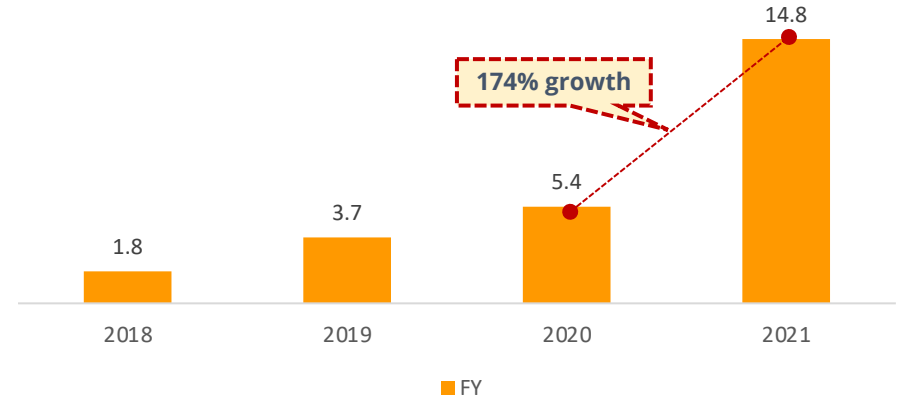
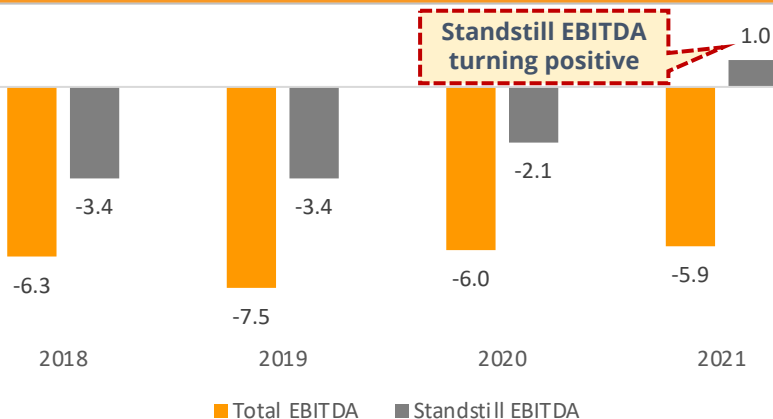Rapidly improving financials, as the business stands at an inflection point into 2022

Strong Revenue Growth

94% growth

2018	2019	2020	2021
1.0	3.3	5.4	10.5

■ FY

Rapid Cash Receipt Growth

174% growth

2018	2019	2020	2021
1.8	3.7	5.4	14.8

■ FY

Improving EBITDA

Standstill EBITDA turning positive

	2018	2019	2020	2021
Total EBITDA	-6.3	-7.5	-6.0	-5.9
Standstill EBITDA	-3.4	-3.4	-2.1	1.0

■ Total EBITDA ■ Standstill EBITDA

Improving P&L

2018	2019	2020	2021
-6.3	-7.7	-5.9	-5.3

10% decrease

■ FY
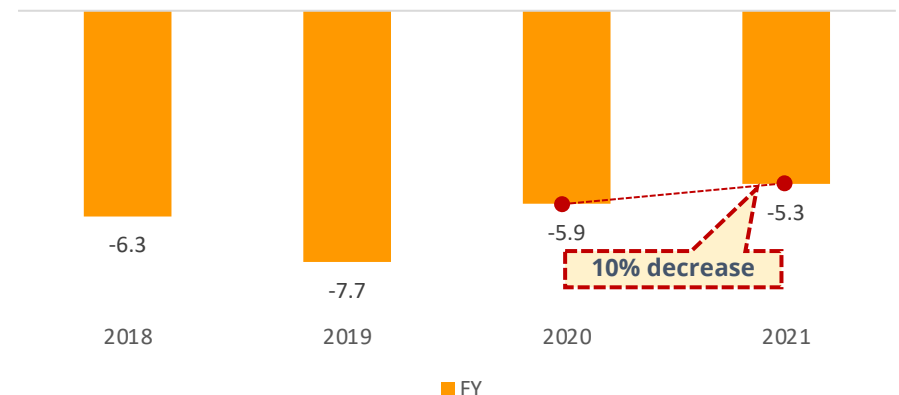
Investment Highlights

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 cash[1] to fund accelerated growth strategy

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

[1] *As at 31 Dec 2021*

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

Military
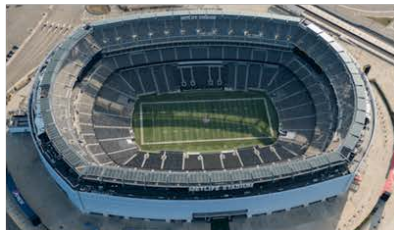
Government Facilities

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

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Military Vehicles - Mounted $25k – $200k each — **$2.3bn**

$1.1bn Airports - Fixed Sites $125k – $2m each

$1.1bn Military - Portables $20k – $55k each

Energy Production & Critical Infrastructure - Fixed Sites $125k – $2m each — **$625mil**

Law Enforcement - Portables $63k – $500k each — **$550mil**

Military - Fixed Sites $125k – $860k each — **$500mil**

Government Facilities - Fixed Sites $63k – $500k each — **$1.5bn**

Shipping - Vehicle Mounted $63k – $200k each — **$582mil**

Civil Helicopters - Fixed Sites $30k each — **$500mil**

Military helicopter - Vehicle mounted $25k – $125k each — **$390mil**

Correctional Facilities - Fixed Sites $63k – $500k each — **$500mil**

Civil helicopters - Portable $30k each

Oil Refineries - Fixed Sites $62k – $500k each

Stadiums & Events Fixed Sites or Portable $25k – $125k each

Shipping & Ports - Fixed Sites $125k – $1m each

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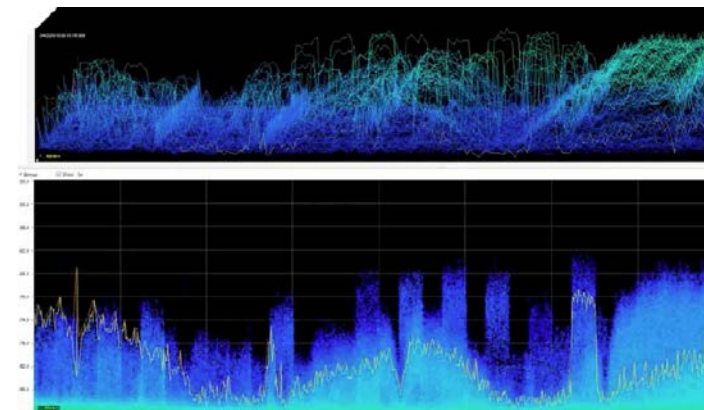
✓ **Competitive differentiation via team skillset, trusted supplier relationship with security clearances, and accumulation of large datasets**

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

✓ **Adjacencies to core DroneShield business of counterdrone**

Market size references:
https://www.marketsandmarkets.com/Market-Reports/artificial-intelligence-military-market-41793495.html
https://www.marketsandmarkets.com/Market-Reports/artificial-intelligence-market-74851580.html

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Drones - A Critical and Growing Threat Vector

Otago Daily Times

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

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

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

Ultimate Heliport in Midrand.

The Big Payoff for Moderate Dems

Newsweek

Death by DRONE

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

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courier journal

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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

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NATION

Home > Nation

STOCK MARKET

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.

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.

Saudi Arabi Plants Afte

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

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Multiple drones hit northeast of Erbil, no casualties: sources

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

Police hunt drone pilots in unprecedented Gatwick Airport disruption

By Sheena McKenzie and Gianluca Mezzofiore, CNN
Updated 0050 GMT (0850 HKT) December 21, 2018

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News & buzz

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

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

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

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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

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

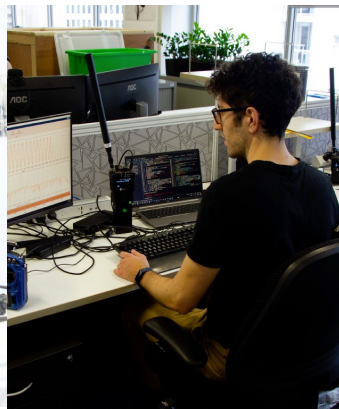|			
• **Global leader with multiple differentiators in a rapidly growing counterdrone market** • **Hardware sales with SaaS** • **Tier 1 customers across military, intelligence community, Government and critical infrastructure** • **$200m+ pipeline**	• **Executing on a 2 year $3.8m contract with Australian 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 multi-million-dollar total opportunities, including for Tracking Systems**

How does a counterdrone system work?

Step 1	Step 2	Step 3
Detect	**Assess**	**Respond**
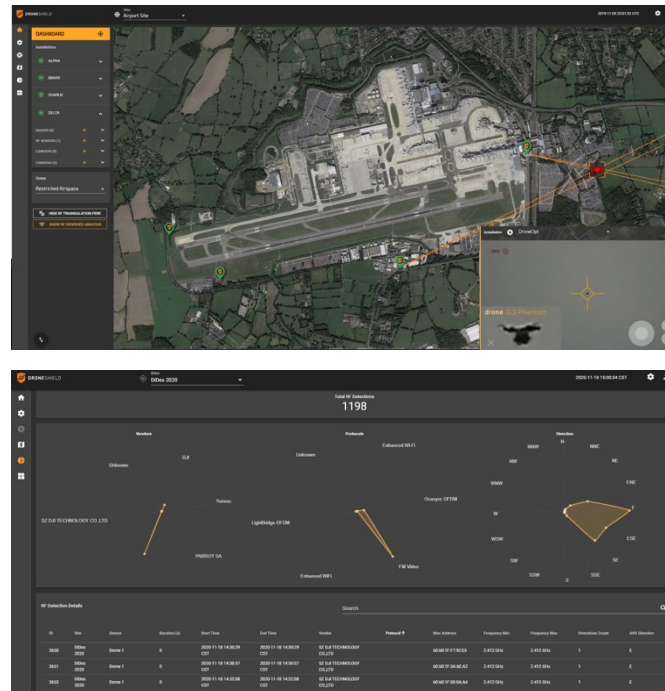
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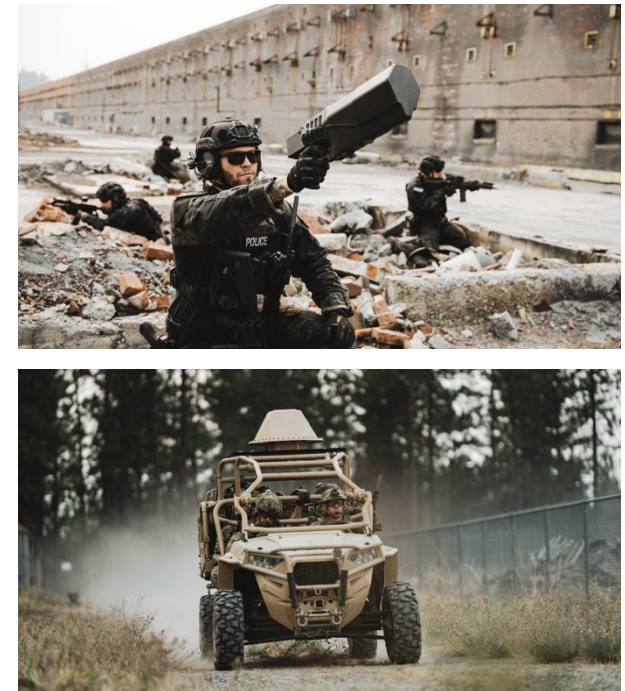
Counterdrone detection solutions

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 AI 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

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

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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

DRO offering

	Safe – "soft kill"			Kinetic – "hard kill"	
	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 ✓ 360-degree defeat coverage ✓ Effective against swarms ✓ Civil and military environments	✓ Allows for the re-routing and re-direction 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 drones ✕ Higher chance of collateral damage	✕ Generally slow to deploy ✕ Not effective against swarms	✕ Collateral damage ✕ Unsuitable for use in a civil environment	✕ In early stages ✕ Only available for military applications

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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	DroneSentry

Subscription and R&D Based Software

Electronic Warfare and Signals Intelligence
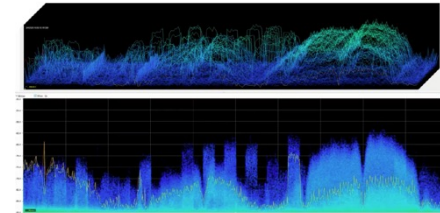
R&D Contracts

C2 and Universal Tracking Platforms (UTPs)
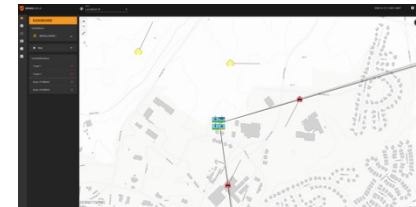
DroneSentry-C2

Optical Detection and Tracking AI
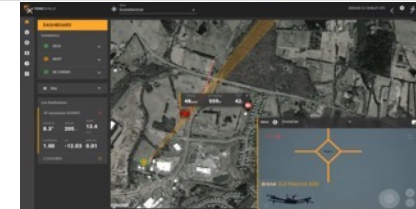
DroneOptID

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 AI-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

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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)**
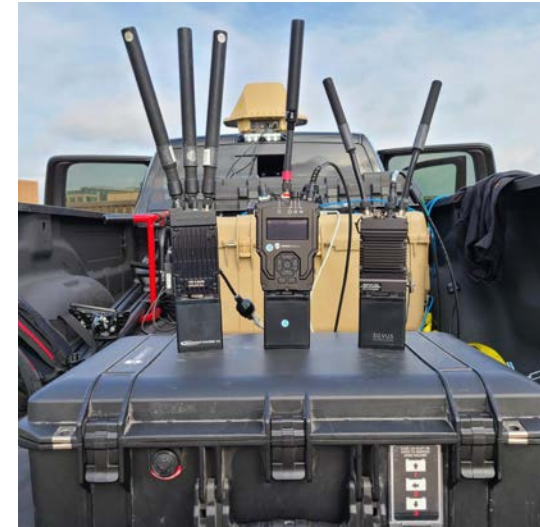
DroneShield RfPatrol™ with soldier radios that the device is operable with, DroneSentry-X™ in the background

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
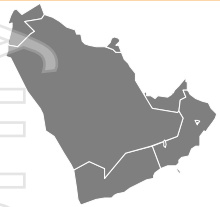
Middle East

2022 Pipeline: $59m / 5 projects
- Awarded preferred bidder status for two major Government orders
- KSA and UAE are the main opportunities

Europe

2022 Pipeline: $10m / 6 projects
- Various defence/special forces opportunities
- Airport and prison opportunities
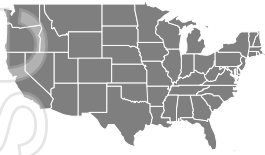
USA

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

United Kingdom

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

Notes: Quoted in Australian dollars. AUD.USD FX rate at 0.72, 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

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

Multiple projects at each development stage improve predictability of cashflows

6-18 months from lead to sale, but can be much shorter for repeat orders

Credible Lead

Confirmed Scope

Firm Bid Submitted

DroneShield Shortlisted

Purchase Conditionally Confirmed (Budget etc)

Customer advised they are placing the purchase with DRO

Final stage of customer PO processing on their end

Order Book

84 Projects	61 Projects	50 Projects	47 Projects	38 Projects	25 Projects	15 Projects	11 Projects
$161m	$122m	$102m	$82m	$68m	$56m	$6m	$3m

Repeat and new orders not captured in the pipeline

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

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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
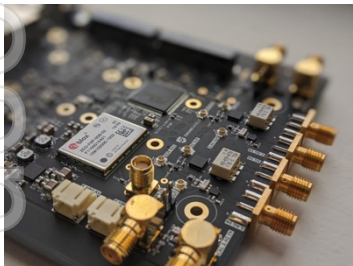
- **Electronic Warfare** (EW): currently delivering on the second, $3.8m contract with the Australian Defence Force
  - EW includes obtaining intelligence of the radiofrequency signals on the battlefield and applying directed energy to jam, degrade, disrupt or neutralise an adversary capability
- **Command-and-Control 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
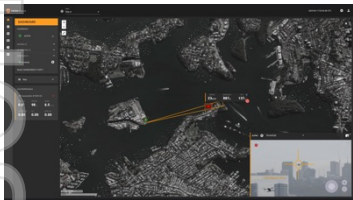
- Existing counterdrone detection products include a meaningful ongoing subscription, which will continue to grow with the number of deployed devices in the field – DroneShield provides quarterly software updates
- Adjacent capabilities are purely or mostly software based, either with subscription or longer term R&D cashflows (including counterdrone training and simulation market)

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DRONESHIELD | Appendices

Proven Progression and Pathway to North Star

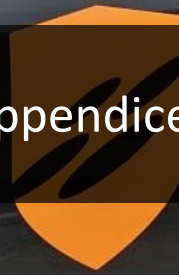Cutting edge proprietary products, powered by AI engine and carrying SaaS pricing, in a rapidly growing market, via multiple proven go-to-market strategies, substantial existing deal pipeline and a world class team

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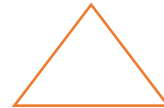
World Class Team of 60 staff (and growing) on 3 continents (Australia, US and UK)

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**

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...

- ✓ 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

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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)

$270bn in total dedicated to capability investment

CAGR: 8.3%

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
14.3	16.1	18.2	20.0	21.5	22.7	24.0	25.5	27.8	29.5

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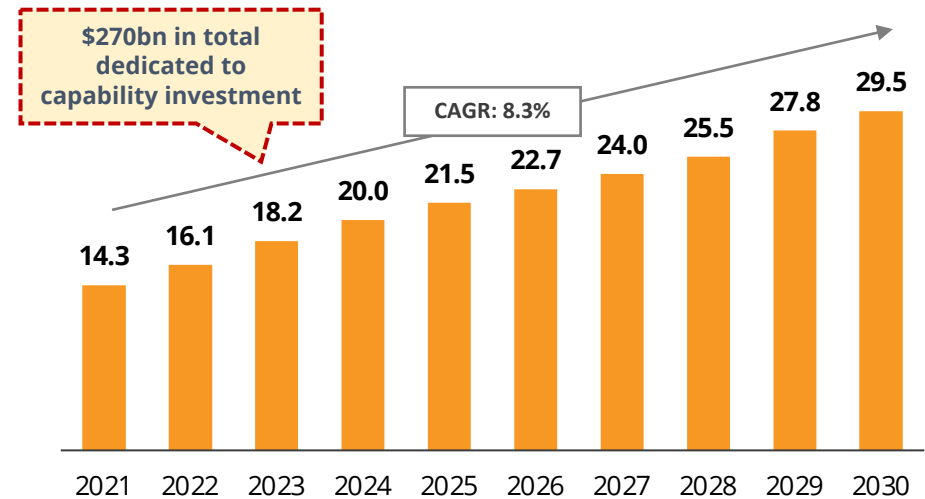
Defence engagement in Australia

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

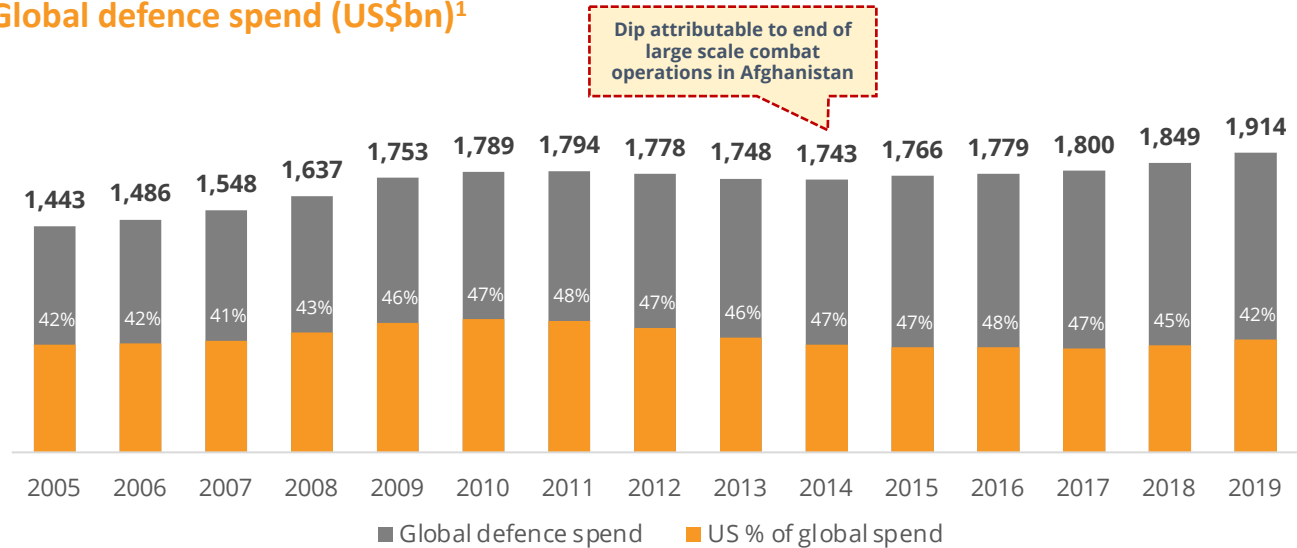- Total military spend is primarily attributed to the United States, which grew by 5.3% to total of US$732bn in 2019

- 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 third-largest military spenders in the world

Global defence spend (US$bn)[1]

Dip attributable to end of large scale combat operations in Afghanistan

Year	Spend	US %
2005	1,443	42%
2006	1,486	42%
2007	1,548	41%
2008	1,637	43%
2009	1,753	46%
2010	1,789	47%
2011	1,794	48%
2012	1,778	47%
2013	1,748	46%
2014	1,743	47%
2015	1,766	47%
2016	1,779	48%
2017	1,800	47%
2018	1,849	45%
2019	1,914	42%

■ Global defence spend ■ US % of global spend

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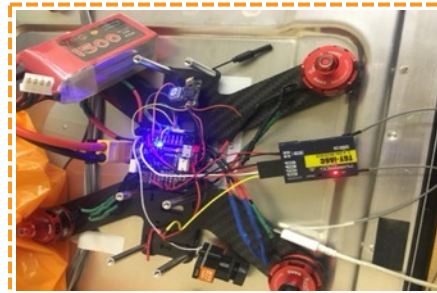
- Drones can often carry sensitive instruments or technology
- When forced to land, this technology can be exploited by military personnel to aid in intelligence gathering operations

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

ersonal use only

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
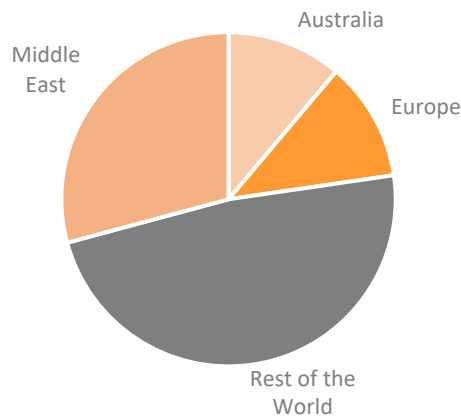
Cash Receipts in 2018

Cash Receipts in 2019
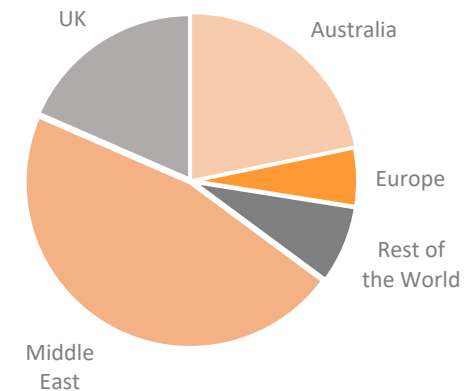
Cash Receipts in 2020
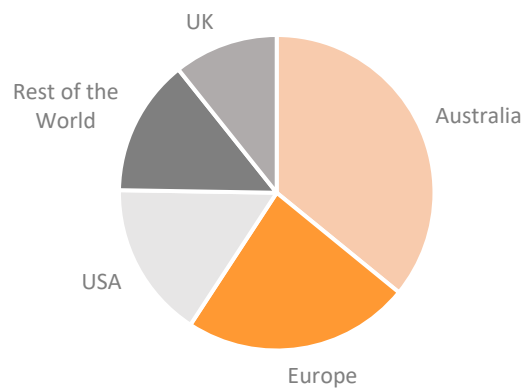
Cash Receipts by Regions in 2021
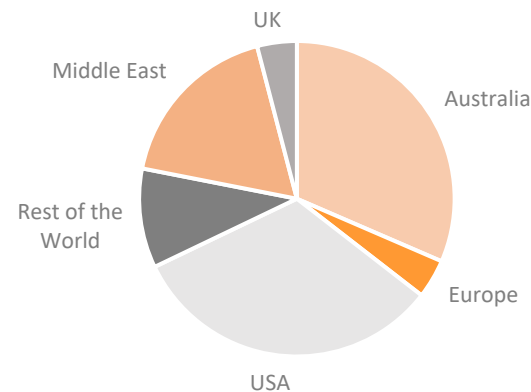
Increasing Predictability of Cash Receipts via Growing Repeat Business

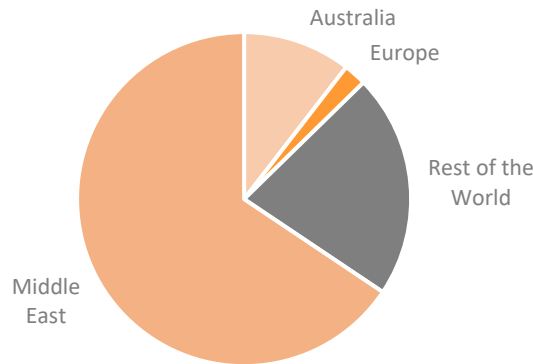Defence and Government Agencies often have a long acquisition cycle to first purchase, but are loyal and collaborative customers, once on board. DroneShield has been increasing its repeat customer business

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

Year	2016	2017	2018	2019	2020	2021
Total	0.2	0.3	1.2	3.1	3.7	13.4
Repeat Customers			0.9	2.1	2.2	9.9
First Time Customers			0.3	1.0	1.4	3.5

■ First Time Customers   ■ Repeat Customers

www.droneshield.com DRONESHIELD
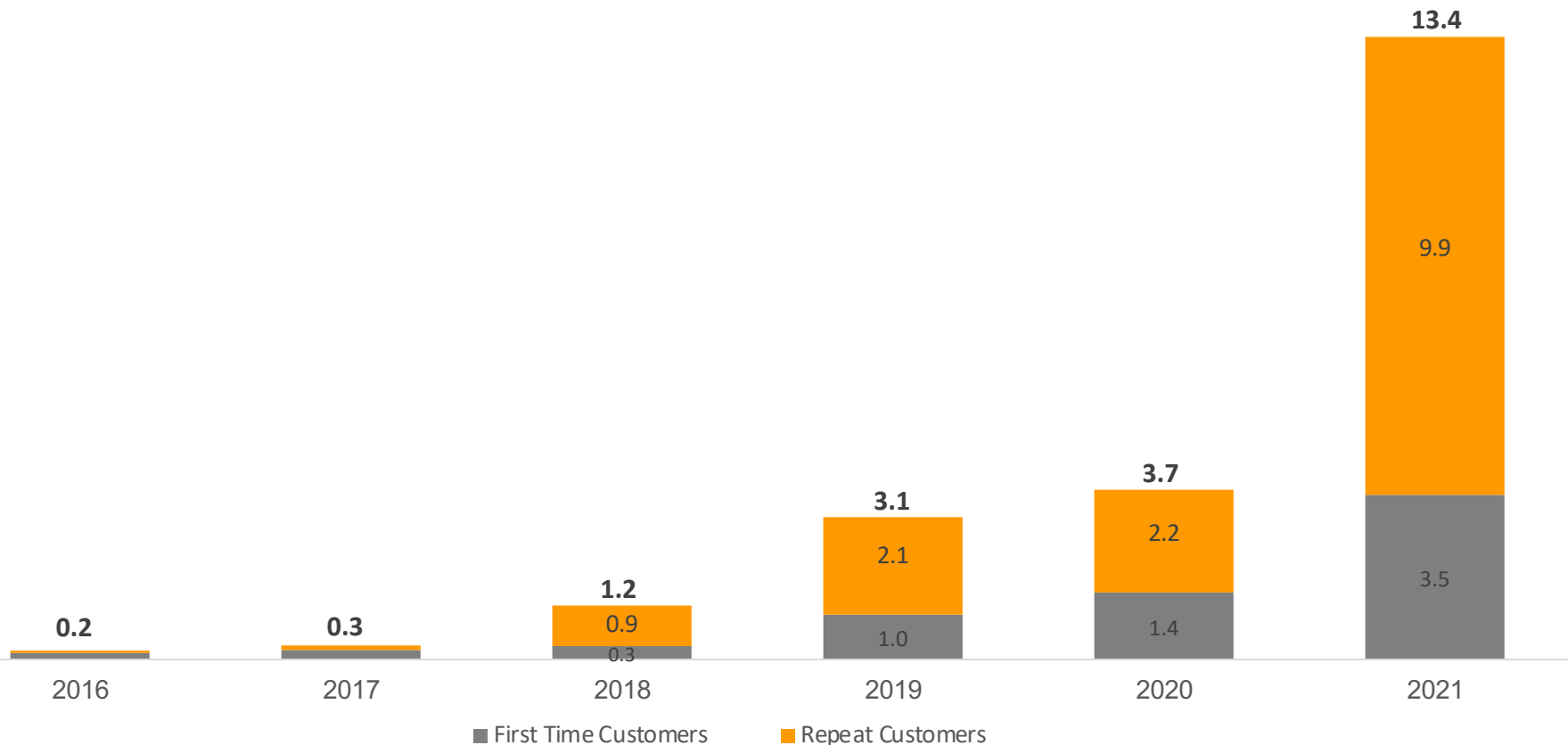
Seasoned senior sales and engineering teams

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
U.S. CEO

- 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

Industry Recognition

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

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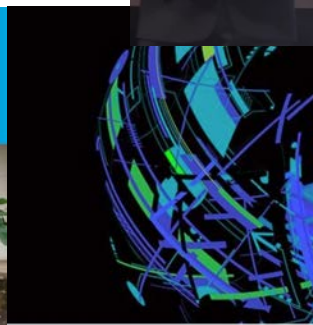
Capital Structure

Enterprise Value (A$)

DRO Shares	16c / share[1]	$66.9m[2]
Cash	As at 31 December 2021	$9.5m
Debt	As at 31 December 2021	nil
Enterprise Value		$57.4m

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

Director 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]

[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

RfPatrol™ deployed with a European end-user

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Growing and Cohesive Team with Deep Capability

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

Total Headcount

Year	Total Headcount
2015	5
2016	11
2017	11
2018	14
2019	33
2020	36
2021	63

Investor FAQs
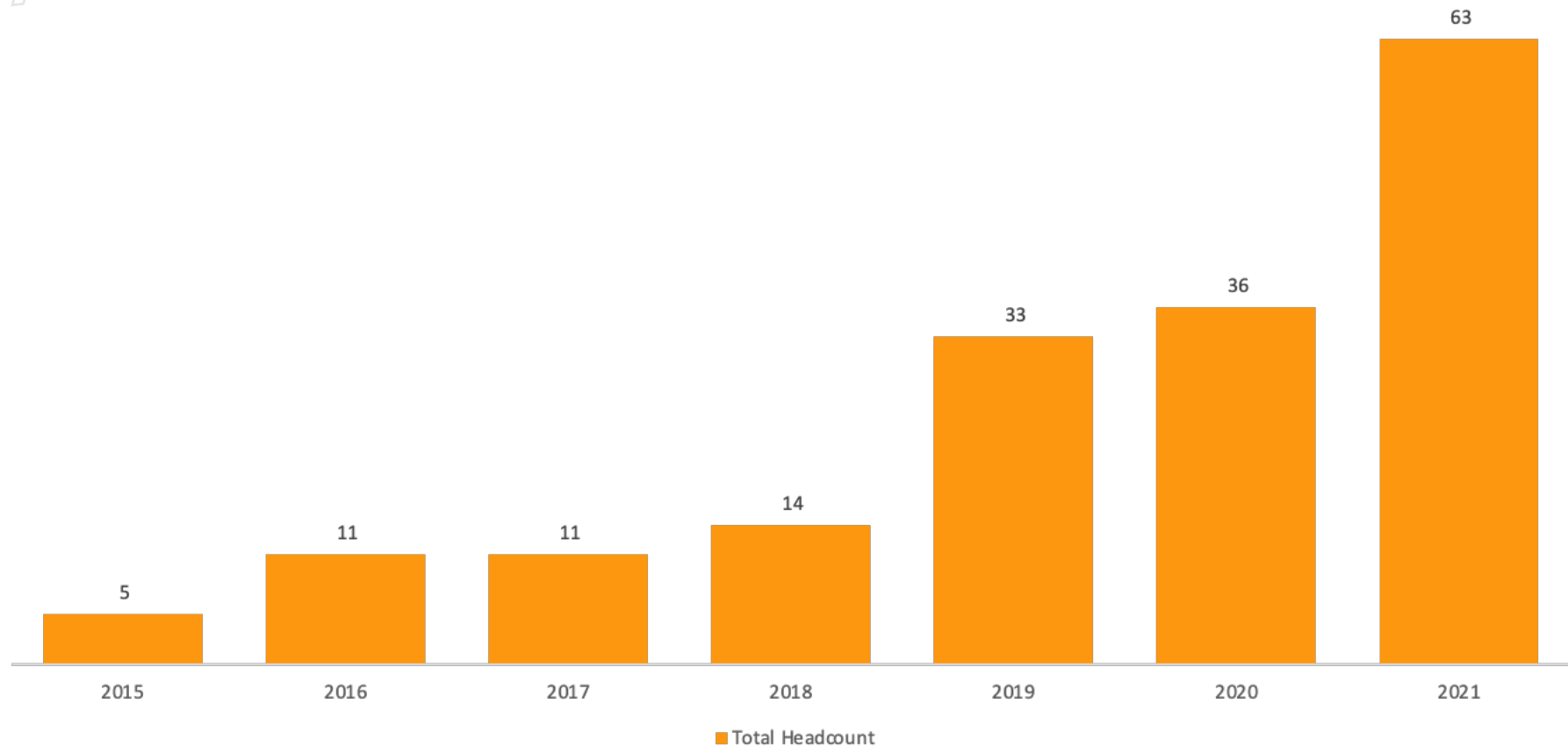
What does DroneShield do?

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.

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 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.

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.

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.

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 $15m in stock on hand (by sale value) 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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