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ASX RELEASE

2022 CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Good morning ladies and gentlemen. My name is Peter James. I am the Independent Non-Executive Chairman of DroneShield Limited. On behalf of the Board, it is my pleasure to welcome you to the 2022 Annual General Meeting.

Given the significant health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate to hold the 2022 AGM as a virtual meeting, in a manner that is consistent with the Corporations Amendment (Meetings and Documents) Act 2022.

It is now 10:00 AM and there being a quorum present, I declare the meeting open for business. I confirm that the meeting has been properly constituted.

I would like to introduce you to Oleg Vornik, our CEO and Managing Director. Oleg has significant commercial and financial expertise which he gained in important roles with several global businesses and has been successfully using this experience in leading DroneShield for over six years.

Also present is Jethro Marks, Independent Non-Executive Director, whose extensive commercial experience has centred on successfully scaling a multi-national business.

Also present are the Company's auditor, Nicholas Guest of HLB Mann Judd, and DroneShield's CFO and Company Secretary, Carla Balanco.

The agenda for today's meeting is as follows:

- I will provide the Chairman's address;
- following which, Mr Vornik will provide an update on the business and the outlook for the remainder of 2022; and
- there will be an opportunity for questions and discussion.
- Finally, we'll proceed to the more formal matters to be considered today, as set out in the Notice of Meeting.

I am pleased to present to you today my review of 2021 and 2022 year to date, with 2022 being the sixth year both as Chairman and for DroneShield as a publicly listed company, and an overview of DroneShield's prospects going forward.

In recent months, we witnessed rapid escalation of global events, including the tragic situation in Ukraine. Drones are extensively being used by both sides in that conflict, and we are pleased to share that the initial sale shipment of DroneShield equipment for Ukraine has been completed and successfully deployed on frontlines by the Ukrainian forces. The Company is working with several Government channels to facilitate additional shipments.

Elsewhere, drones continue to be increasingly used for nefarious purposes by both State and non-State actors, ranging from Iran and its regional proxies increasingly relying on drones in Yemen, Syria, Iraq and the Strait of Hormuz at the mouth of the Gulf, to continuous incidents involving drones and passenger aircraft, to Mexican drug cartels using drones for weapon strikes and trafficking, drones delivering contraband to prisons, and many other types of incidents. The drone technology has now truly matured in terms of their functionality as a cost effective and highly sophisticated platform for nefarious payload delivery and reconnaissance.

The rising international tensions and greyzone warfare (which counterdrone/C-UAS, Electronic Warfare and related areas are a key part of) in turn drive increases in security and national defence budgets, providing tailwinds for acquisition of DroneShield products.

The Company currently offers its products in over 100 countries and the diversity of its pipeline is one of its key strengths.

DroneShield continued to grow its revenues, reporting \$10.6 million for 2021 (up nearly 90% on \$5.6 million in 2020, itself a record year), with a rapidly increasing pace of securing new and repeat material customer contracts around the world, as disclosed in recent ASX announcements.

During the year, the Company continued to mass-scale its production processes, as well as ramping up its own testing and production areas. In the current environment of extended lead times for a range of high-tech circuitry, DroneShield has secured a significant amount of raw and finished inventory, allowing for immediate or short-term fulfilment of customer orders, acting as a further competitive advantage. Software, through quarterly updates of majority of DroneShield hardware devices, is becoming an increasing part of the revenue and will be key to scaling and recurring revenues moving forward.

The Australian Government continues to strongly encourage the growth of the domestic defence industry. The two current Artificial Intelligence (AI) R&D contracts (2-year \$3.8 million contract and 1-year \$800k contract), as well as achieving DISP (Secret Clearance) status with the Australian Department of Defence, provide a platform for further orders by Australian Government agency customers.

The U.S. Government and military market is expected to be the single largest opportunity for DroneShield, being the largest counterdrone customer in the world. During 2021, DroneShield continued to position itself for that market, with additional hires in its Virginia office, making multiple initial smaller sales, ensuring compatibility to standard US Government software interfaces and conducting multi-agency product evaluations and deployments. The US business is led by a seasoned ex-military veteran team, experienced in scaling US Government sales and the associated steps towards larger purchases.

DroneShield has continued to grow its work with key defence primes in Australia and globally, such as Thales. This will bring further cash receipts (in the form of outright sales and paid R&D contracts) in 2022.

During 2021 and 2022, year to date, the Company continued to refine and improve its product offering, both hardware and software. Importantly, DroneShield deployed its Artificial Intelligence/Machine Learning software engine within both radiofrequency and optical sensors, creating an enormous capability leap and reinforcing its position as the leader in the improvised threat space. This AI software is forming the backbone of the company's SaaS offering, with ongoing trail of software subscriptions with the sold devices.

The Company continued to benefit from the Australian Government's Defence Export Strategy. It expects to receive its fifth R&D Tax Incentive Grant from the Australian Government for 2021 activities for approximately \$2 million in mid-2022, in addition to other grants such as Export Market Development Grant.

DroneShield has approximately \$8 million in cash as of 31 March 22. Following another record year of cash receipts in 2021 (approx. \$15 million), with 1Q22 up approximately 32% on 1Q21, and a strong outlook for 2Q22, a strong order book and a \$140 million near-term order pipeline, we are progressing through 2022 with a confident outlook as we navigate through the inflection point of the business and believe this year will be a transformative year for the Company.

I would sincerely like to thank our Board of Directors, our CEO and Managing Director Oleg Vornik and his executive team for their hard work and efforts. We appreciate the invaluable contribution of our loyal and dedicated employees, my fellow shareholders, our global network of distributors and of course the tremendous support of our customers.

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

About DroneShield Limited

DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UAS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial, maritime or airborne platforms. Our customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports globally.

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