



DRONESHIELD

Quarterly Report

For the period ending
30 June 2022



Image: DroneShield RfPatrol™ AI-enabled threat detection device

DroneShield Limited (ASX:DRO)

ASX Release

ABN 26 608 915 859

DroneShield Limited (ASX:DRO) ("DroneShield" or the "Company") is pleased to release its business update and Appendix 4C for the three-month period ended 30 June 2022.

Highlights

- **\$2.7 million** customer and grant cash receipts for the 2Q22 quarter, **up 11%** on 1Q22.
- **\$125 million sales pipeline¹** for remainder of 2022 (with a further \$230 million pipeline for 2023 onwards), with growing focus towards the US and Australian Government customers.
- Strong inventory balance of **\$14 million** by sale value (including long lead-time components), mitigating supply chain risk and enabling rapid sales.
- Bank balance as at 30 June 2022 at **\$6.7 million**, with monthly gross outflows (before revenues) of approximately \$1.1 million/month.

Australia

- On-target progress on:
 - \$3.8 million 2-year Electronic Warfare contract with the Australian Department of Defence (DoD) that runs to mid 2023 and expected to be expanded, and
 - 12-month \$800,000 contract for AI in multi-domain applications, that runs to end of 2022.
- Collaboration agreement with The Australian Missile Corp Corporation (AMC), as the \$1bn Guided Weapons and Explosive Ordnance (GWEO) enterprise enters the next phase.
- Progression on a number of opportunities, across counterdrone and Electronic Warfare.

United States

- Continued growth in the US market, with a customer base that spans Department of Defense, Federal and State level government and Public Safety organisations.
- [Sale and deployment](#) of the DroneSentry™ solution for city-wide coverage at IRONMAN Texas in April.
- Progressing through two major acquisition program processes with separate US Government agencies, with results due this year.
- Numerous smaller repeat and growing purchases, including \$500k order with a high profile Government agency this week.

Europe and Other Geographies

- The Ukraine situation has resulted in a range of enquiries from various Ukrainian Government agencies, and other sources, following initial successful sale of the Company's equipment to Ukraine at the start of the war. DroneShield is progressing these discussions.
- In May, DroneShield equipment [was deployed](#) by Swiss Police for protection of Davos 2022.
- A range of projects at various stages globally, ranging from protection of military bases, to forward military deployments, to prisons, critical infrastructure and other civilian work.

Airports

¹ Without risk weightings. There is no assurance that any of the Company's sales opportunities will result in sales.

- Airports in the US, Australia and globally are actively evaluating counterdrone deployments, with DroneShield well positioned as a mature, long range, passive/non-emitting solution.
- In mid-July, DroneShield has presented to the Aviation Law Association of Australia and New Zealand, which can be found [here](#).
- DroneShield has been selected for a major airport deployment, as part of a global prime contractor solution, with its [RfOne™](#) drone detection product, with the order processed and paid for.

Products and Partnerships

- Continued move to a SaaS model, via three subscription products:
 - Quarterly firmware updates to drone detection Artificial Intelligence (AI) engine software running on hardware of RfPatrol™, DroneSentry-X™ and RfOne™. 3Q22 Update was [released mid-July](#) to the global customer base.
 - Quarterly firmware updates to the camera AI engine DroneOptID™ for optical and thermal based drone detection, ID and tracking.
 - DroneSentry-C2™ Command-and-Control and analytics software for DroneShield and third party sensors, across counterdrone and general base security solutions.
- With hardware, the range includes RfPatrol™ body worn detection, DroneGun™ defeat, DroneSentry-X™ on-vehicle/on-ship detect-and-defeat and DroneSentry™ fixed site system.
- Partnership with Nearmap, enabling super high-resolution, frequently updated maps for Australian and US customers, as part of DroneShield's DroneSentry-C2™ command-and-control software for the DroneSentry™ counterdrone system.
- Favourable macro environment for DroneShield:
 - Rapidly rising counterdrone expenditure globally, as drone incidents continue: <https://www.droneshield.com/uas-incidents>
 - ongoing increase in local defence capability by the Australian Government.

Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$122,546.

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

Further Information

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About DroneShield Limited

DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such 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.

END

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	2,748,311	5,223,785
1.2 Payments for		
(a) research and development	(290,447)	(516,313)
(b) product manufacturing and operating costs	(634,395)	(1,493,273)
(c) advertising and marketing	(201,673)	(458,457)
(d) leased assets	-	-
(e) staff costs	(2,159,055)	(4,145,755)
(f) administration and corporate costs	(784,544)	(1,440,546)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1,916	2,002
1.5 Interest and other costs of finance paid	(6,369)	(12,490)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	33,453	74,782
1.8 Other (provide details if material)	(68,027)	119,936
1.9 Net cash from / (used in) operating activities	(1,360,830)	(2,646,329)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(80,898)	(221,674)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(80,898)	(221,674)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(38,161)	(73,871)
3.10	Net cash from / (used in) financing activities	(38,161)	(73,871)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,978,782	9,537,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,360,830)	(2,646,329)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(80,898)	(221,674)

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(38,161)	(73,871)
4.5	Effect of movement in exchange rates on cash held	207,930	111,562
4.6	Cash and cash equivalents at end of period	6,706,823	6,706,823

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	5,827,058	4,101,792
5.2	Call deposits	879,765	3,876,990
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,706,823	7,978,782

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1 Payments to CEO and Non-Executive Directors of \$122,546.	(122,546)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-

8.	Estimated cash available for future operating activities	\$A
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,360,830)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,706,823
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,706,823
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.9
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022

Authorised by: Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.