



**DRONESHIELD**

## **Quarterly Report**

For the period ending  
30 September 2022

For personal use only



*Image: DroneShield DroneSentry® system getting provisioned for an order*

**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 September 2022.

## Highlights

- **Positive operating cashflow quarter**, with bank balance as of 30 September at \$7.5 million.
- Multiple larger size contracts received, including \$2 million European order for DroneSentry™ systems, \$1.8 million US DoD order for DroneGuns™.
- **First paid US civilian airport deployment** - a reference case and pathway to further sales.
- Appointment to the Australian DoD ISREW panel.
- **Second highest cash receipt quarter of \$5.6 million** customer and grant cash receipts, **up 103%** on 2Q22.
- **\$50 million pipeline<sup>1</sup>** for remainder of 2022 (with a further \$180 million pipeline for 2023 onwards), with growing focus towards the US and Australian Government customers.
- Strong inventory balance of approximately **\$15 million** as at 30 September by sale value (including long lead-time components), mitigating supply chain risk and enabling rapid sales.

## 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.
- [Selection](#) for the Australian DoD Intelligence, Surveillance, Reconnaissance and Electronic Warfare (ISREW) Standing Panel, exposing DroneShield to a number of additional opportunities in those sectors.
- [Launch of permanent regional NSW testing facility](#), enabling faster R&D cycles and ability for easier local product demonstrations, further driving sales in the Australian market.
- Participation in Land Forces Exhibition and Old Crows Conventions, enabling progression of a number of senior level conversations to adopt counterdrone both as part of existing major Defence programs, and progression towards counterdrone as a major program on its own.

## United States

- [\\$1.8 million sale](#) of DroneGun MKIII units to US DoD, the single largest sale in the US market to date. This follows a previous down selection of DroneGun MKIII™ for evaluation by the DoD's Joint Counter-small Unmanned Aircraft Systems Office (JCO).
- [Initial US civilian airport deployment](#), paving way for additional airport sales.
- Progressing through multiple major acquisition program processes with several US Government agencies, with results due this year.
- Numerous demos and events with a wide range of US Government customers, including AUSA.

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

## Europe and Other Geographies

- The Ukraine situation continues to drive the requirement for counterdrone equipment, following initial successful sale of the Company's equipment to Ukraine at the start of the war. DroneShield is progressing these discussions and expecting near term further sales.
- [Record \\$2 million](#) multiple DroneSentry sale for a European Government customer, as the tensions in the region continue to escalate and European Governments step up defence and security budgets.
- Participation in the Global SOF (Special Operator Forces) event in Budapest, strengthening the connection with the SOCOM community.
- 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.

## Products and Other Considerations

- Continued move to a SaaS model, via three subscription products:
  - Quarterly updates to Artificial Intelligence (AI) engine software running on hardware of RfPatrol™, DroneSentry-X™ and RfOne™. 4Q22 Update will be released this month.
  - Quarterly firmware updates to the camera AI engine DroneOptID™.
  - DroneSentry-C2™ Command-and-Control and analytics software.
- The hardware range includes RfPatrol™ body worn detection, DroneGun™ defeat, DroneSentry-X™ on-vehicle/on-ship detect-and-defeat and DroneSentry™ fixed site 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.
- Bell Potter has initiated investment research on DroneShield, alongside Peloton Capital continuing research coverage.

## Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$132,114.

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 September 2022

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,626,349	8,850,134
1.2	Payments for		
	(a) research and development	(236,535)	(752,848)
	(b) product manufacturing and operating costs	(1,180,820)	(2,674,093)
	(c) advertising and marketing	(165,958)	(624,415)
	(d) leased assets	-	-
	(e) staff costs	(2,284,420)	(6,430,175)
	(f) administration and corporate costs	(524,355)	(1,964,901)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6,940	8,942
1.5	Interest and other costs of finance paid	(39,297)	(51,787)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	2,016,132	2090914
1.8	Other	15,000	134,936
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,233,036</b>	<b>(1,413,293)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment <i>Development equipment for research and development projects</i>	(336,550)	(558,224)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 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	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(336,550)</b>	<b>(558,224)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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 <i>For 3Q22, includes \$197,264 for lease cost and \$215,492 as a non-cash item, reclassification of office lease liability (previously in item 1.2f)</i>	(412,756)	(486,627)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(412,756)</b>	<b>(486,627)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,706,823	9,537,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,233,036	(1,413,293)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (9 months) \$A</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(336,550)	(558,224)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(412,756)	(486,627)
4.5	Effect of movement in exchange rates on cash held	271,116	382,678
4.6	<b>Cash and cash equivalents at end of period</b>	<b>7,461,669</b>	<b>7,461,669</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
5.1	Bank balances	6,593,432	5,827,058
5.2	Call deposits	868,237	879,765
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,461,669</b>	<b>6,706,823</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 Payments to CEO and Non-Executive Directors of \$132,114.	132,114
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	1,233,036
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,461,669
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,461,669
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>N/A</b>
	<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: 13 October 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.