



DRONESHIELD

Quarterly Report

For the period ending
31 December 2022

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Image: DroneShield DroneGun™

DroneShield Limited (ASX:DRO)

ASX Release

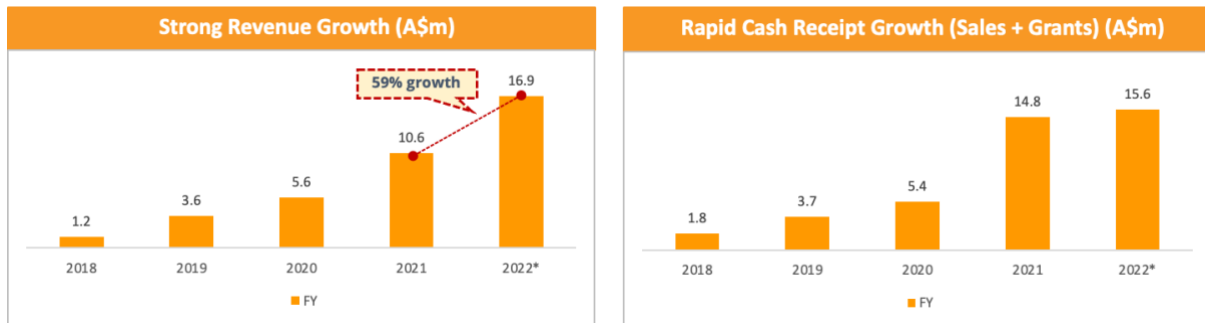
ABN 26 608 915 859



DroneShield Limited (ASX:DRO) ("DroneShield" or the "Company") is pleased to release its business update and Appendix 4C for the three-month period ended 31 December 2022.

The Company recorded another record results year by a substantial margin, with revenues up 59% to \$16.9 million, while cash receipts from sales and grants have risen to \$15.6 million, as the counterdrone industry continues to rapidly grow and defence and security budgets rise with an increasing uncertainty globally, underscored by the Ukraine war.

This performance has continued a string of record years for the business since its listing in 2016.



Note: preliminary unaudited Revenue figures. Final audited figures to be released in February 2023 as part of 2022 Annual Report

Highlights

- [Record \\$11 million order](#) received in December followed by [another \\$11 million order](#) from a different Government customer on 9 January 2023, as well as numerous smaller contracts.
- \$4.7 million in cash receipts for 4Q22, for a total all-time record of \$15.6 million for 2022.
- Strong bank balance at \$10.3 million as at 31 December 2022. Bank balance as of the date of this report (31 January 2023) was approximately \$14.1 million.
- Record order backlog of \$19 million in cash receipts as of the date of this report (committed contract payments due to be paid this year), and a \$200 million+ in sales pipeline.
- [Recommendation by the Joint Counter-small Unmanned Aircraft Systems Office](#) (JCO) for a rollout across US Department of Defense nationwide, expected to commence this year.
- [Successful completion](#) of \$800k Australian DoD Defence Innovation Hub project.
- [Successful completion](#) of a key Canadian military exercise.
- [SBIR project](#) awarded by US DoD with partner Quantum Research International.
- [\\$3.7 million investment from Epirus Inc](#) in November, a high-growth U.S. defense technology company developing software-defined directed energy systems.
- New partnership [XRG](#), for Extended Reality C-UAS training.
- Launch of a [dedicated testing facility](#) in Australia.
- High-profile DroneGun deployment at [Brazil presidential inauguration](#) (held in early January 2023).
- Expanding research coverage by Bell Potter, Peloton and Streetwise Reports. Publicly available reports are listed at <https://www.droneshield.com/investors>.

DroneShield CEO, Oleg Vornik, commented: “2023 is expected to be a transformative year for DroneShield, following our maiden \$11 million sale order in December followed by another \$11 million order from a different Government, as the counterdrone industry continues to rapidly grow, with DroneShield as a pioneer and global leader in this sector.”

“Ukrainian conflict (where we have been deployed since the start in February 2022 on the Ukrainian side) has clearly demonstrated the potential of drones and counterdrone systems on the battlefield, coupled with significant non-military use cases for intelligence community, airports, prisons, border security, stadiums, and other facilities. Nefarious use of drones is a global and rapidly rising threat, with DroneShield providing proven market leading suite of solutions, directly and also via our network of 100+ in-country partners globally.”

“We are thrilled to continue rapidly growing our revenues and cash receipts, from around \$2m in 2018, to this record cash receipts year of around \$15.6 million in 2022, with another record year anticipated in 2023 as seen in our \$19 million cash receipts 2023 existing backlog.”

Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$122,886.

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 drones, as well as electronic warfare solutions. The 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")

31 December 2022

| Consolidated statement of cash flows | | Current quarter \$A | Year to date (12 months) \$A |
|---|--|------------------------|------------------------------------|
| 1. Cash flows from operating activities | | | |
| 1.1 Receipts from customers | | 4,682,905 | 13,533,039 |
| 1.2 Payments for | | | |
| (a) research and development | | (300,068) | (1,052,916) |
| (b) product manufacturing and operating costs | | (1,642,680) | (4,316,773) |
| (c) advertising and marketing | | (221,903) | (846,318) |
| (d) leased assets | | - | - |
| (e) staff costs | | (2,192,921) | (8,623,096) |
| (f) administration and corporate costs | | (598,477) | (2,563,378) |
| 1.3 Dividends received (see note 3) | | - | - |
| 1.4 Interest received | | 10,155 | 19,097 |
| 1.5 Interest and other costs of finance paid | | (11,178) | (62,965) |
| 1.6 Income taxes paid | | - | - |
| 1.7 Government grants and tax incentives | | - | 2,090,914 |
| 1.8 Other | | (59,388) | 75,548 |
| 1.9 Net cash from / (used in) operating activities | | (333,555) | (1,746,848) |
| 2. Cash flows from investing activities | | | |
| 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> | | (273,951) | (832,175) |
| (d) investments | | - | - |
| (e) intellectual property | | - | - |

| Consolidated statement of cash flows | | Current quarter \$A | Year to date (12 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 | Net cash from / (used in) investing activities | (273,951) | (832,175) |

| | | | |
|-----------|--|------------------|------------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 3,700,000 | 3,700,000 |
| 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>Lease liability principal repayments relating to DroneShield's Office leases in Sydney (Australia) and Virginia (USA)</i> | (154,604) | (641,231) |
| 3.10 | Net cash from / (used in) financing activities | 3,545,396 | 3,058,769 |

| | | | |
|-----------|--|-----------|-------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 7,461,669 | 9,537,135 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (333,555) | (1,746,848) |

| Consolidated statement of cash flows | | Current quarter \$A | Year to date (12 months) \$A |
|--------------------------------------|---|------------------------|------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (273,951) | (832,175) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 3,545,396 | 3,058,769 |
| 4.5 | Effect of movement in exchange rates on cash held | (137,798) | 244,880 |
| 4.6 | Cash and cash equivalents at end of period | 10,261,761 | 10,261,761 |

| 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 | 9,290,829 | 6,593,432 |
| 5.2 | Call deposits | 970,932 | 868,237 |
| 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) | 10,261,761 | 7,461,669 |

| 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 <i>Payments to CEO and Non-Executive Directors</i> | 122,886 |
| 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) | (333,555) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 10,261,761 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 10,261,761 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 30.76 |
| | <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: 31 January 2023

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.