



DRONESHIELD

Quarterly Report

For the period ending
30 June 2023



Image: DroneShield solutions demonstrated at Snajper Day 2023 in Poland

DroneShield Limited (ASX:DRO)

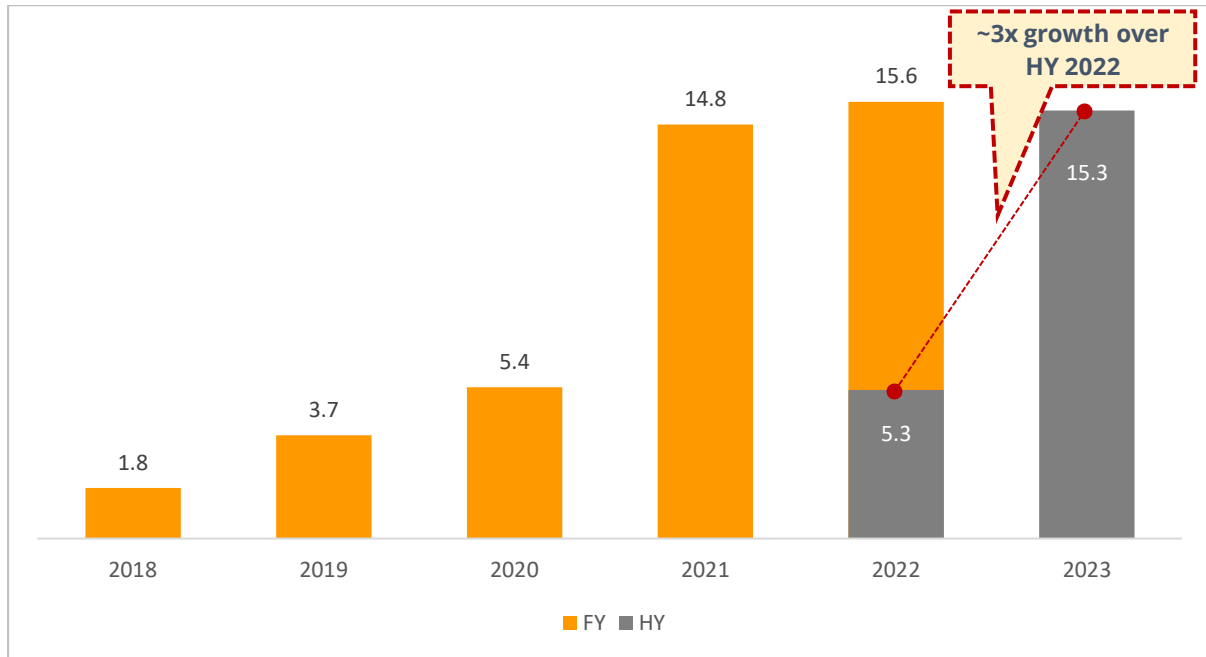
ASX Release

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 2023.

Following a [strong \\$7 million cash receipts](#) March 2023 quarter, DroneShield has recorded an all-time record \$8.2 million customer cash receipts for the June 2023 quarter.

Cash Receipts – Customer Sales and Grants (A\$m)



Highlights (including subsequent to quarter-end)

- [\\$33 million U.S. Government sale](#) announced 16 July, expected to be fully delivered and paid this calendar year.
- [\\$9.9 million 2-year R&D contract](#) announced 4 July, following on the earlier \$3.8 million contract from same Five Eyes Government defence customer. \$2 million has already been received.
- All-time record \$8.2 million in customer cash receipts for 1Q23, ▲ 200% on 2Q22.
- \$15.3 million cash receipts for 1H23, ▲ 200% over 1H22.
- All-time record \$62 million contracted order backlog, with an over \$200 million in sales pipeline.
- \$2.4 million expected in R&D Tax Incentive grant (as cash).
- [NATO Stock Numbers granted](#) for a number of DroneShield systems.
- Strong bank and term deposits balance of \$42.4 million as at 30 June 2022. The reduction of \$3.5 million from 31 March 2023 was due to inventory investment for anticipated near term orders such as the \$33 million order received.
- Launch of [DroneGun Mk4](#), the latest in the iconic DroneGun range, with a strong backlog of purchase orders and interest ahead of the launch.
- [Completion](#) and remaining payment on the \$11 million order received in December 2022.

- [\\$2.2 million in orders](#) from two US Government agencies.
- Release of enhanced [DroneSentry-C2 Platform Update](#) and [DroneLocator](#) (as part of RF Device Firmware Update).
- [Completion of system integration](#) with Epirus, a California-based multi-billion dollar defence unicorn, who [invested \\$3.7 million](#) into DroneShield in November 2022.

DroneShield continues to be in a highly favourable environment, with both the counterdrone industry rapidly growing and more generally defence and security budgets rising. The Company has a number of unique differentiators (technically and commercially). The Ukraine situation is demonstrating the role of drones in modern warfare, and driving procurement programs of Government customers around the world seeking to be prepared for next conflict.

DroneShield CEO, Oleg Vornik, commented: "The sales team's primary goal is continuing to grow smaller contracts into much larger sales, as evidenced by the \$33 million US Government contract and \$9.9 million Five Eyes contract announced this month alone. We have a significant pipeline which contains a number of these opportunities. We are well positioned on a number of large awards."

"On the operations/fulfilment front, we have been progressing well on the [\\$67 million of equipment in production](#). Larger customers are focussed on production rates and ability to fulfil bigger contracts, so executing production in unison with sales activity is important."

Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$379,073.

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")

30 June 2023

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	8,232,771	15,243,527
1.2	Payments for		
	(a) research and development	(481,437)	(810,203)
	(b) product manufacturing and operating costs		
	<i>These costs correspond to more than the current period of sales, due to advanced inventory purchases</i>	(5,262,449)	(9,017,163)
	(c) advertising and marketing	(925,463)	(1,810,544)
	(d) leased assets	-	-
	(e) staff costs	(3,543,844)	(6,138,237)
	(f) administration and corporate costs	(1,417,459)	(2,797,211)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	145,723	191,821
1.5	Interest and other costs of finance paid	(6,298)	(15,651)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	2,732	14,938
1.8	Other	-	15,000
1.9	Net cash from / (used in) operating activities	(3,255,724)	(5,123,723)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(145,973)	(657,150)
	(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	-	-
2.6	Net cash from / (used in) investing activities	(145,973)	(657,150)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	40,256,557
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	-	(2,247,081)
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>	(147,787)	(319,664)
3.10	Net cash from / (used in) financing activities	(147,787)	37,689,812

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	45,894,229	10,261,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,255,724)	(5,123,723)

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(145,973)	(657,150)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(147,787)	37,689,812
4.5	Effect of movement in exchange rates on cash held	56,320	230,365
4.6	Cash and cash equivalents at end of period	42,401,065	42,401,065

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	12,167,504	14,923,297
5.2	Call deposits	10,158,561	153,032
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	20,075,000	30,817,900
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	42,401,065	45,894,229

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>	379,073
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)	(3,255,724)
8.2	Cash and cash equivalents at quarter end (item 4.6)	42,401,065
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	42,401,065
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	13.02
	<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: 26 July 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.