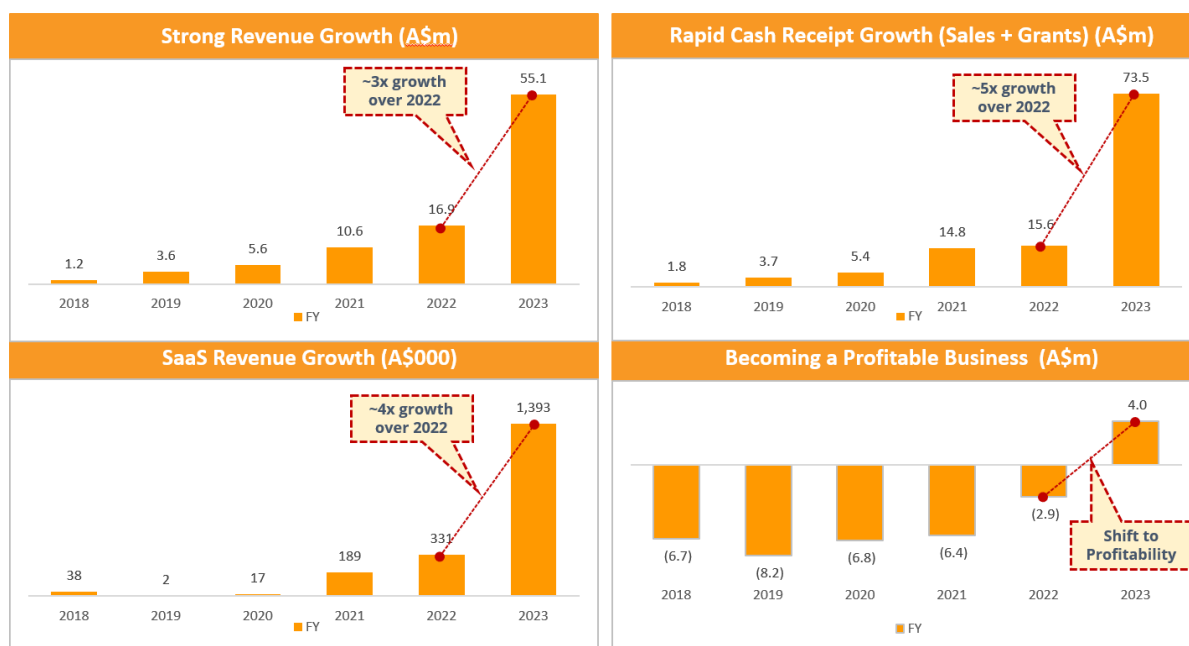


Quarterly Activities/Appendix 4C Cash Flow Report

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 2023.

Highlights

- **Record \$48m in customer cash receipts and grants** for the December 2023 quarter. This is **5x larger** than the next largest quarter on record, September 2023, at \$10m.
- 2023 record **cash receipts and grants of \$73.5m, up 5x** vs entire 2022.
- 2023 record **revenues¹ of \$55.1m, up 3x** vs entire 2022.
 - 80% of revenues were from repeat customers.
 - Largest geographical segment contributions are from the US at 68% and Australia at 23%.
- **Profit before tax¹ of \$4m**, first in the Company's history, vs \$2.9m loss before tax in 2022.



- **\$30m contracted order backlog**, with over \$400m in sales pipeline.
 - Approximately 85 qualified opportunities, with no overweight exposure to any one customer.
- Cash balance of \$57.9m at 31 December 2023.
- [Release](#) of [DroneSentry-C2 Tactical](#), an intuitive, tablet-based, command-and-control ("C2") version of its DroneSentry-C2, allowing central C2 capabilities for field operators to maintain awareness of multiple portable, on-the-move and fixed site systems in their areas of interest.
- [Collaboration with Lockheed Martin](#) on the Australian DoD Agile Shield Program.

¹ Unaudited preliminary estimates. Audited results due in February 2024.

- [Supply of \\$10.4m of counterdrone equipment to Ukraine](#), under the most recent Australian Government's Ukraine aid package.
- [Addition of a long range counterdrone radar sensor](#) in collaboration with RADA.
- Launch of [DroneSentry-X Mk2](#), a state-of-the-art counterdrone solution, with pre-launch purchase orders.
- Launch of [SensorFusionAI \("SFAI"\)](#), a sensor-agnostic, 3D data fusion engine for fixed site multi-sensor deployments. Following deployment of the engine within DroneShield's own C2 software, [DroneSentry-C2](#), the Company has opened the module for third party C2 providers on a SaaS licence basis, to monetise the capability where the customers prefer to use third party systems, such as those of defence prime contractors.
- The Company is due to complete the move to a new facility in Sydney by the end of January, at 3x the space of the existing facility.
 - DroneShield's supply chain including its Adelaide manufacturing partner, have also been rapidly expanding to accommodate significantly higher production volumes.
 - Targeting **annual production capacity of \$300-400 million** in products, within months.
 - Being able to manufacture its own products inhouse as well as outsource lower-margin manufacturing to trusted third parties (with DroneShield remaining in full control of supply chain and encrypted code), enables further scaling in manufacturing as needed.

2024 Outlook and C-UAS Themes

DroneShield and its solutions continue to evolve and solidify the Company as the global leader in the Counter-UAS ("C-UAS") market. The Company is uniquely positioned to capitalise on the growing demand for C-UAS solutions, thanks to its cutting-edge technology and strategic partnerships worldwide.

DroneShield is in a favourable environment. Both the C-UAS industry and broader defence and security budgets are experiencing a significant upswing. With 105 staff, including over 85 engineers, it is well-equipped to meet this demand.

In Ukraine, a ceasefire is not expected in the near term, which means that direct demand for DroneShield systems will continue to be driven by military aid programs of various countries.

The October Hamas attacks on Israel also used small drones, underscoring the global pervasiveness of use of small drones by bad actors.

In December, the Mexican Government passed additional legislation around criminal penalties for small drone use, as the gang use of drones continues its steep incline.

These and other flashpoints worldwide are convincing governments and militaries globally about the drone threat and needing to seek to prepare their own defences for future conflicts. Unlike some of the more established products used in security and battle (night vision goggles, helmets, body armour, and firearms), no country today has anywhere near the amount of C-UAS systems needed, due to the nascent nature of C-UAS. Major acquisition programs are expected to take place over next few years.

Countermeasure technologies like those of DroneShield's are becoming priorities for future spending by nearly every government and military aligned with the West.

The United States is expected to continue to be the largest market for DroneShield, with a growing customer base across numerous government agencies, including both military and non-military federal agencies (thus there is no true "single customer risk"). The Company is working on a

number of opportunities, both directly and as a subcontractor.

There are also several large European opportunities being pursued, including with near term expected outcomes.

DroneShield CEO, Oleg Vornik, commented: *"We are ready to deliver a strong 2024, after a record 2023. We are seeing continuing peak demand from our customer base globally, our competitive positioning and customer reputation are exceptional, and we are ready operationally to meet this demand."*

Payments to related parties of the entity and their associates

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$134k.

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

For enquiries, please contact:



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CEO and Managing Director
E: oleg.vornik@dronesield.com
P: +61 2 9995 7280

About DroneShield Limited

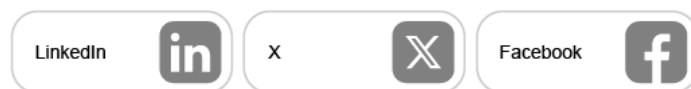
DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UAS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial,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

To learn more about DroneShield click here: www.dronesield.com/about

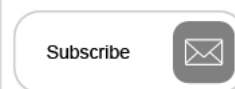
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Appendix 4C

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 2023

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	47,926,389	70,906,059
1.2	Payments for research and development product manufacturing and operating costs advertising and marketing <i>Includes commissions for the sales team</i> leased assets staff costs administration and corporate costs	(269,514) (14,655,859) (4,565,701) - (3,793,615) (1,475,407)	(1,681,692) (32,997,552) (8,087,949) - (13,413,768) (6,103,877)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	312,540	974,328
1.5	Interest and other costs of finance paid	(10,105)	(32,148)
1.6	Income taxes paid	(1,699,563)	(1,699,563)
1.7	Government grants and tax incentives	41,880	2,545,818
1.8	Other	-	15,000
1.9	Net cash from / (used in) operating activities	21,811,045	10,424,656
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	businesses	-	-
	property, plant and equipment	(774,458)	(1,733,318)
	investments	-	-
	intellectual property	-	-
	other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
2.2	Proceeds from disposal of:		
	(b) entities	-	-
	businesses	-	-
	property, plant and equipment	-	-
	investments	-	-
	intellectual property	-	-
	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	(774,458)	(1,733,318)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
	<i>Total for the current quarter is related to repayments of Limited Recourse Loans provided by the company to employees for the exercise of options into shares</i>	-	41,941,563
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>	(73,945)	(552,577)
3.10	Net cash from / (used in) financing activities	(73,945)	39,141,905

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	37,296,900	10,261,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21,811,045	10,424,656
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(774,458)	(1,733,318)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(73,945)	39,141,905
4.5	Effect of movement in exchange rates on cash held	(370,486)	(205,948)
4.6	Cash and cash equivalents at end of period	57,889,056	57,889,056

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	36,780,960	17,012,687
5.2	Call deposits	20,832,380	209,213
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	275,716	20,075,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	57,889,056	37,296,900

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>	133,983
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)	21,811,045
8.2	Cash and cash equivalents at quarter end (item 4.6)	57,889,056
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	57,889,056
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
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.		
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	
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.		



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: 16 January 2024

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.