DRONESHIELD

Counterdrone, Electronic Warfare and Tracking Systems

ASX:DRO

October 2021

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3Q21 Results | Key Highlights

- **3Q21 Cash Receipts up 800% on 3Q20, at $1.7m**
- **Total cash receipts for the quarter of $2.8m, including $1.1m in grants received**
- **Jan-Sep 21 total cash receipts up 600% on 1Q20-3Q20, at $10.8m**
- **$12.1m cash on hand (as at 30 September 2021), no debt or convertibles**
- **$11m in inventory (by sale value) on hand for quick delivery and to mitigate supply disruptions**

RfOne MKII™ deployed at part of the US Air Force MEDUSA C2 system successful evaluation for US DoD and Government agencies

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Outlook

- ✓ **$230m sales pipeline, focus on the US and Australian Government customers**
- ✓ **Major US milestones reached, including integration with the US Air Force MEDUSA system, and working towards an acquisition Program of Record**
- ✓ **Executing on the $3.8m Electronic Warfare contract with the Australian DoD**
- ✓ **Favourable macro environment in Australia and globally, with rising counterdrone and defence expenditure**
- ✓ **Entry into Training and Simulation market (DroneSim), Navigation market (CompassOne), and underwater threat detection (SonarOne)**
- ✓ **Continued move to SaaS, with drone detection hardware including subscriptions, and DroneSentry-C2 launching in January 2022 as a C2 subscription platform**

DroneSentry-X™ deployed at part of the US Air Force MEDUSA C2 system successful evaluation for US DoD and Government agencies

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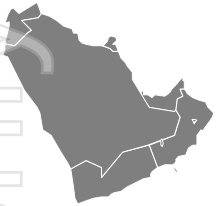
Strong Cash Receipts Pipeline of $230m

A significant and geographically diversified pipeline, approx. 85 projects at different maturity stages



Middle East

Pipeline: $75m / 5 projects

- Awarded preferred bidder status for two major Government orders, awaiting execution of contract with customer

Europe

Pipeline: $27m / 10 projects

- Various defence/special forces opportunities
- Airport and prison opportunities

USA

Pipeline: $42m / 36 projects

- Multiple military/Govt agency order discussions
- Initial purchases across wide range of Govt agencies and successful trials completed

Australia

Pipeline: $18m / 15 projects

- Orders and R&D contracts with Department of Defence and intelligence agencies

United Kingdom

Pipeline: $5m / 3 projects

- Sales associated with the partnership with BT
- Primarily Ministry of Defence focused

Other

Pipeline: $60m / 16 projects

- Diverse range of geographic and product opportunities

- The pipeline includes existing defined sales opportunities at various stages of maturity
- The opportunities are unweighted, and measured as cash receipts to December 2022

Notes: Quoted in Australian dollars. AUD.USD FX rate at 0.74, AUD.EUR FX rate at 0.64, AUD.GBP FX rate at 0.54
Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales

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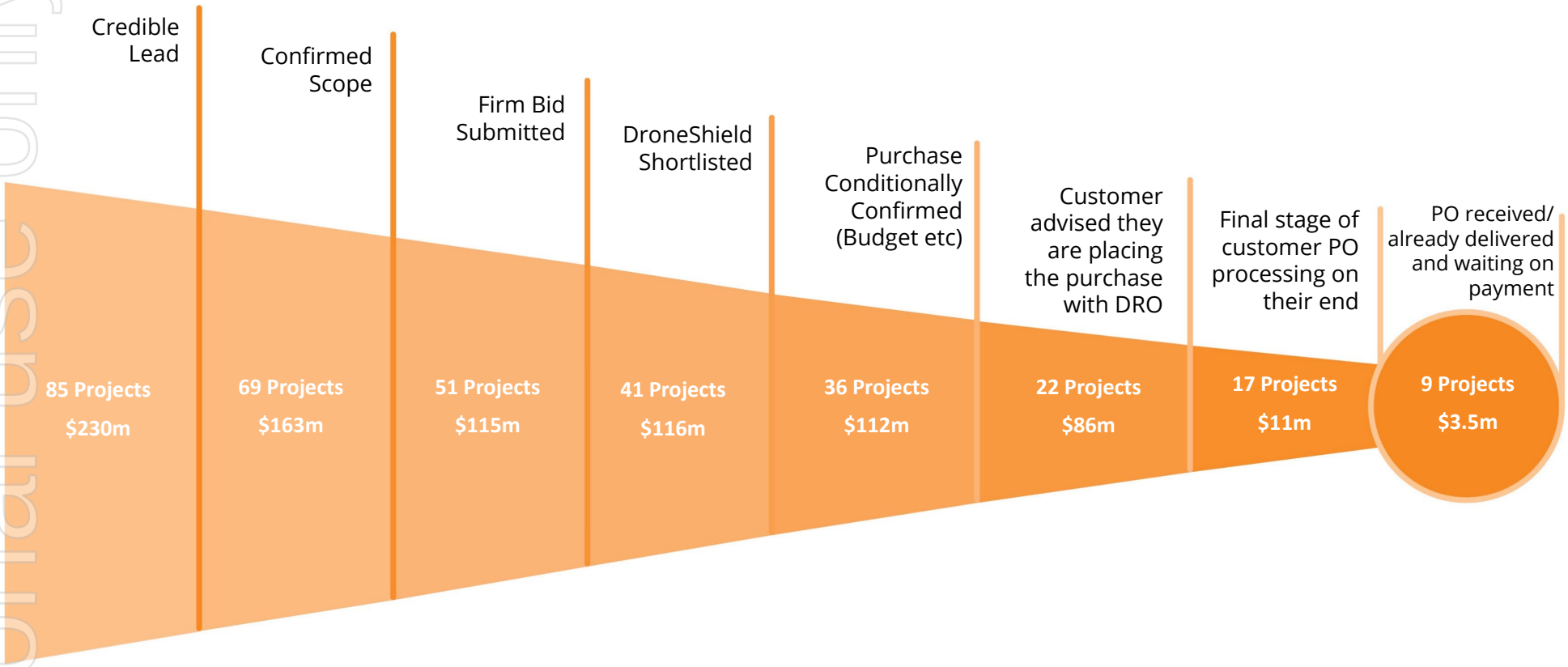
Pipeline Breakdown by Project Stage

Multiple projects at each development stage improve predictability of cashflows



Notes:
1. Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales
2. The pipeline is cumulative – for example the 70 projects at Confirmed Scope stage are included as part of the 86 projects at the Credible Lead stage

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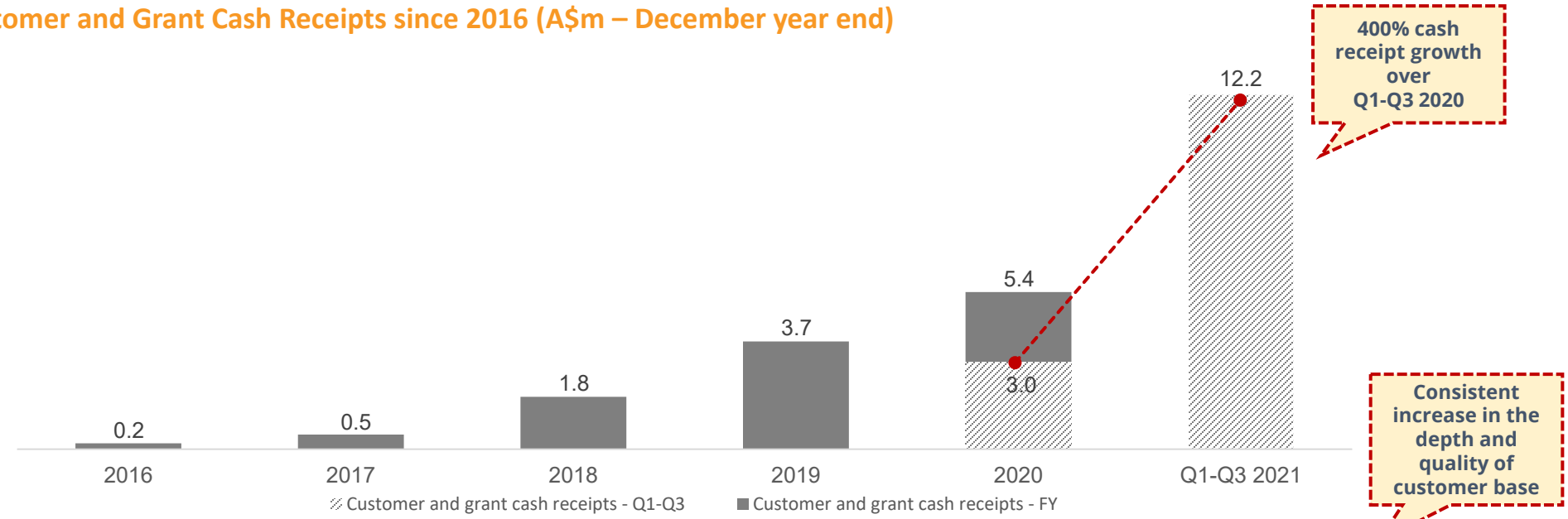
Accelerating Cash Receipts

Since 2016, DroneShield's total revenue has grown materially each year, with 2021 shaping as the pivotal year

Customer and Grant Cash Receipts since 2016 (A$m – December year end)



Selected customers in period

Note: $12.2m in Q1-Q3 2021 total cash receipts, includes approximately A$150k of a loan from US Government which was subsequently converted into a grant.

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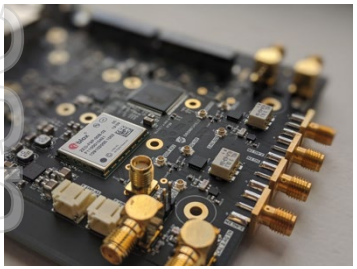
Strategy | Continue Leadership in Counterdrone, Grow Adjacent Capabilities and SaaS

Three-part Strategy

Continue Leadership in the Counterdrone Sector

- The counterdrone market is growing rapidly, especially in the US
- DroneShield is well positioned as the industry pioneer, with on-the-ground US team, and Australia being part of the Five Eye intelligence alliance (US, UK, Australia, NZ and Canada)

Grow Adjacent Capabilities



- **Electronic Warfare** (EW): currently delivering on the second, $3.8m contract with the Australian Defence Force
  - EW includes obtaining intelligence of the radiofrequency signals on the battlefield and applying directed energy to jam, degrade, disrupt or neutralise an adversary capability
- **Command-and-Control and Tracking Systems:** providing a central display/control for numerous assets deployed in the field by military, law enforcement and Government agencies
- **Optical Detection and Tracking**: using proprietary AI algorithms to enhance optical/thermal camera capabilities to detect, identify and track objects for military, law enforcement, Government, airport and prisons

Grow SaaS (Software as a Service) element

- Existing counterdrone detection products include a meaningful ongoing subscription, which will continue to grow with the number of deployed devices in the field – DroneShield provides quarterly software updates
- Adjacent capabilities are purely or mostly software based, either with subscription or longer term R&D cashflows (including counterdrone training and simulation market)

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Rapidly Growing Electronic Warfare Contracts in Hand

- Electronic Warfare (EW) / Signals Intelligence (SIGINT) area has a number of technology overlaps with counter-drone, as drones utilise radiofrequency spectrum in an increasingly complex and encrypted manner
- EW/SIGINT is generally the domain of Defence Primes, however Governments support specialized smaller firms to promote sovereign capability and encourage disruptive technologies
- DroneShield has received its first EW contract of approximately $600k in December 2020 with Australian Department of Defence, followed by a $3.8 million 2 year contract received in June 2021
- Additional, and larger, follow-on contracts, are targeted for the near term, as DroneShield demonstrates being successful on the projects
- Demand for smart EW technologies from sovereign providers (eliminating "backdoor code" concerns by the customer) for spectrum dominance are rapidly growing, and are an essential part of modern warfare
- There is minimal Australian based competition with suitable capabilities, for this high-end work

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A new, technology based, asymmetric threat

The widespread adoption of drone technology has increased the risk and prevalence of disruptive use

Why is the malicious use of drones a threat?

Payload delivery

- **Attacks:** Dropping harmful / explosive payloads (including chemical or biological substances) or creating damage via collision
- **Smuggling:** Moving contraband into sensitive zones such as prisons

Intelligence gathering

- **Directing attack:** Reporting enemy target location on the battlefield to direct forces
- **Spying and tracking:** Obtaining video, images and track movements of personnel
- **Surveillance:** Using drone images and other payload data to enable reconnaissance

Nuisance activity

- **Infrastructure disruption:** Using drones to jeopardise the safe operation of major facilities such as airports

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High profile drone incidents continue to escalate

Otago Daily Times

cloudy Dunedin 18 | 8 Monday, 6 September 2021 Send us news & photos

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Friday, 23 April 2021

Helicopter pilot horrified at close drone encounter

Forbes

Aug 3, 2021, 09:05am EDT | 18,681 views

Drone Striking World Trade Center Is A Wake-Up Call

David Hambling Contributor
Aerospace & Defense
I'm a South London-based technology journalist, consultant and author

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w York Post reports that a small drone has slammed into a buil
Trade Center complex. No terrorist threat is suspected, but the
ke-up call to the potential threat posed by such drones.

Ultimate Heliport briefly shut down due to illegal drone activity

Written by defenceWeb - 4th May 2021

Ultimate Heliport in Midrand.

The Ultimate Heliport in the Waterfall precinct in Midrand was shut down for an hour on Monday after drones were observed flying in the helicopter flight path.

On 3 May shortly after 08:00, an Ultimate Heliport employee reported seeing two drones operating directly in the helicopter flight path of Ultimate Heliport while driving in to work. Ultimate Heli said

WORLD

Three 'explosive-laden drones' used in Baghdad airport attack: Army

courier journal

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STOCK MARKET

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Army opens fire on two drones found hovering over Ratnuchak-Kaluchak military areas in Jammu

One drone was spotted at 11.45 pm on Sunday night and the other at 2.40 am, officials said. Both em.

CRIME / COURTS

Drug cartels attack enemies and spread terror with weaponized drones in US, Mexico

Karol Suárez
Published 6:01 a.m. ET May 24, 2021

Middle East

Fire extinguished on oil tanker off Syria after suspected drone attack

IDF Shoots Down Hamas Drone That Crossed Into Israeli Territory

i24 by i24 News

A drone that Israeli troops recovered in southern Israel that the military said entered Israeli airspace from the Gaza Strip two days earlier, on August 13, 2021. Photo: Israel Defense Forces.

Saudi Arabia Reveals Extent Of Damage To Oil Plants After Drone Strike

TRENDING

"Sidharth Shukla Sent Money During Lockdown": Pratyusha Banerjee's Father

"If We Die ...": What Afghan Resistance Leader, Killed, Had Told NDTV

Inside Rishi Kapoor's Birth Anniversary Party. The Cake Stole The Show

CNN World Africa Americas Asia Australia China Europe India Middle East United Kingdom Edition

Police hunt drone pilots in unprecedented Gatwick Airport disruption

By Sheena McKenzie and Gianluca Mezzofiore, CNN
Updated 0050 GMT (0850 HKT) December 21, 2018

News & buzz

'Almost intentional sa
Doctor reacts to Trur
vaccine...

Analysis: Blow to Me
and Harry with UK w
ruling but...

Multiple drones hit northeast of Erbil, no casualties: sources

Middle East

Drone Attack Damages Hangar at US-Coalition Air Base in Iraq

By Edward Yeranian
May 08, 2021 01:54 PM

Drugs and weapons were given to the windows of the Donacona prison

Drone activity at Augusta Correctional Center in Craigsville causes lockdowns

$6bn Total Addressable Market by 2026

Increasing drone use is driving demand for counterdrone technology across a number of sectors

Military

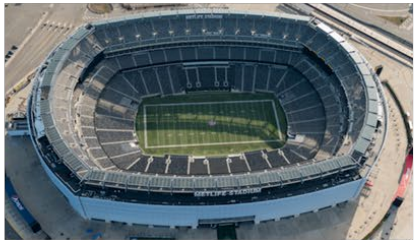
Government Facilities

Law Enforcement

Protective Details

Airports

Stadiums



Commercial Venues

Energy Production

High Profile Events

Shipping / LNG Ports

Rescue / Fire Response

Correctional Facilities

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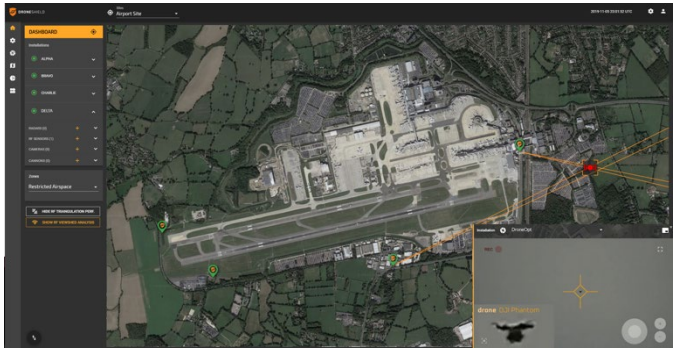
What do DroneShield's counterdrone products do?

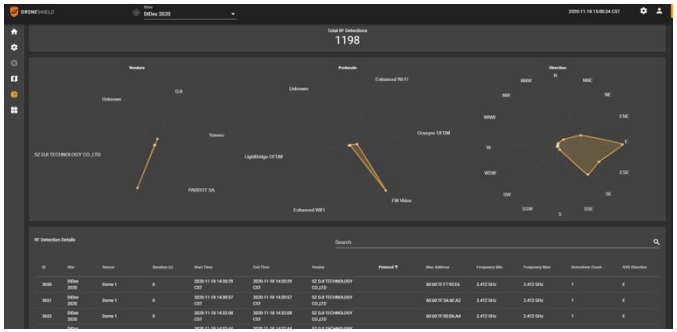
Step 1

Detect

Step 2

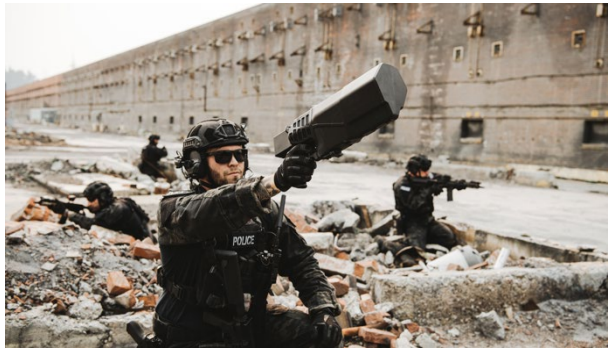
Assess





Step 3

Respond



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DroneShield Capability Overview

Rapidly evolving capabilities in response to customer requirements

Hardware with Embedded Software and Associated Services

Dismounted & Body-Worn Counterdrone Solutions

DroneGun

DroneGun Tactical

RfPatrol

DroneNode

Vehicle / Ship / Fixed Site Counterdrone Solutions

DroneSentry-X

DroneCannon RW

RfZero

DroneSentry

Training and Simulation

DroneSim

Location Sensing

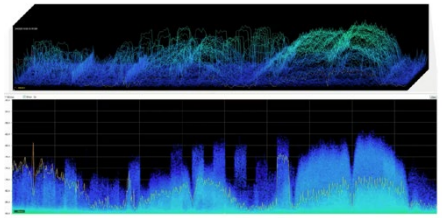
CompassOne

Underwater detection

SonarOne

Subscription and R&D Based Software

Electronic Warfare and Signals Intelligence



R&D Contracts

C2 and Universal Tracking Platforms (UTPs)

DroneSentry-C2

Optical Detection and Tracking AI

DroneOptID

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DroneShield's competitive counterdrone advantage?

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Market leading technology…

- ✓ Multi-sensor detection, ID and tracking
- ✓ Best-in-breed detection range
- ✓ Best-in-breed defeat range

…across multiple platforms…

- ✓ Body-worn
- ✓ Vehicle/Ship mounted
- ✓ Fixed site

…underpinned by DroneShield software…

- ✓ Proprietary software integrated across product suite
- ✓ Difficult to replicate
- ✓ Experienced development team for ongoing upgrades and development

… and backed by high barriers to entry

- ✓ Established global channels
- ✓ Established relationships with global defence clients
- ✓ World-class talent with leading product design and R&D capabilities

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DRONESHIELD | Appendices

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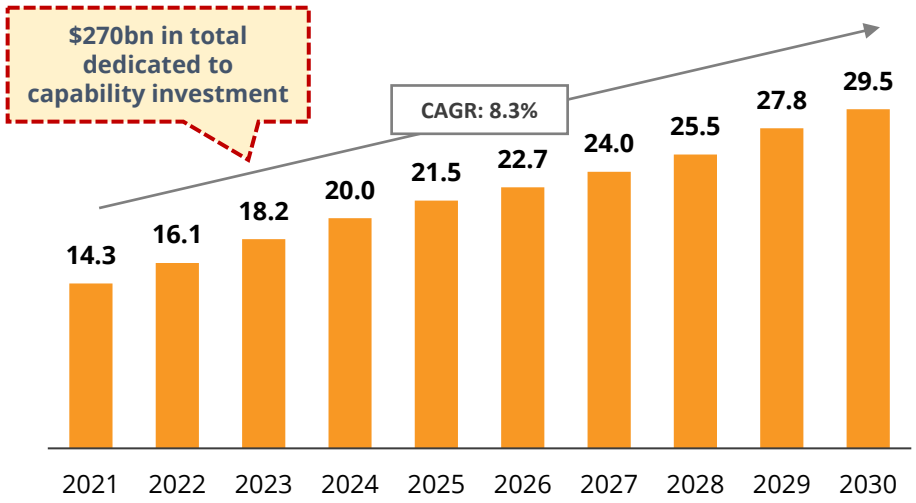
Australian Government is committed to building home-grown defence sector

The Australian Government's defence spending commitment presents a large opportunity for the sector

Overview

- Australia has 12th largest defence budget spend globally, which is very substantial for its 25m population
- $270bn of funding allocated towards "capability investment" over the next 10 years, covering a broad suite of military domains across both acquisitions ($220bn) and future sustainment ($50bn)
- Electronic Warfare, Signals Intelligence and AI (key areas for DroneShield, utilised on their own and inside counterdrone technologies) are explicitly declared as priority areas for homegrown defence sector by the Australian Government

Capability investment funding profile (A$bn)



DroneShield CEO Oleg Vornik with the Australian Minister for Defence Industry, Hon Melissa Price

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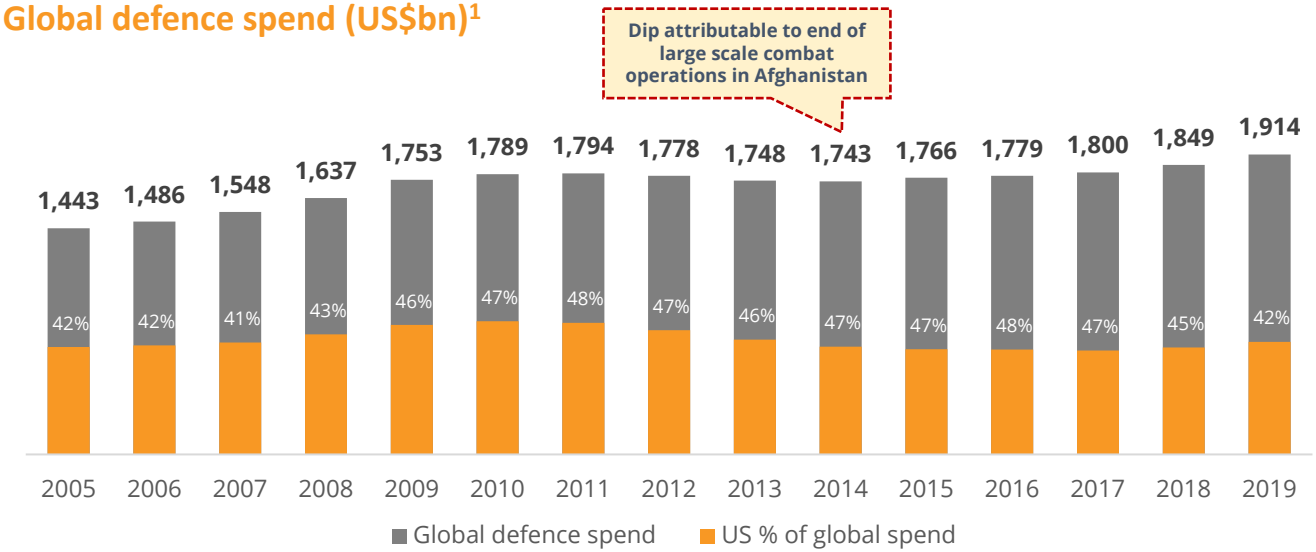
Global defence spending continues to rise

Overview

- Global military spending in 2019 represented 2.2% of GDP
- Total military spend is primarily attributed to the United States, which grew by 5.3% to total of US$732bn in 2019
- The global increase in spending is predominately attributed to increased tensions and risk of conflict between nation states
- In 2019 China and India were, respectively, the second and third-largest military spenders in the world

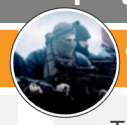
Global defence spend (US$bn)[1]



Hybrid warfare is shaping modern conflict and DroneShield is positioning to be a leader in this space

High intensity conflict

- Strike weapons with enhanced lethality are a core focus of future military doctrine
- Increased defence budgets are being utilised to develop and procure these systems
- Relevant counter-measures are also a core focus



"Grey zone" activities

- The lines of conflict are being blurred with military action undertaken in a covert nature
- Facilitated by technological advancements
- Infrastructure and services are significant strategic targets

Artificial intelligence

- Processing large amounts of data quickly and accurately to support military decision making represents a key technological focus for nations
- Artificial intelligence systems will provide decision overmatch capacity in conflict scenarios

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- ✓ Counter-measures for pervasive drone technology with applications across multiple mission profiles
- ✓ Safe nature makes products highly suitable for "grey zone" activities

Source: Australian Government - Defence Strategic Update, Stockholm International Peace Research Institute.

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Defeat and mitigation solutions in the counter-drone market

DroneShield defeat solutions utilise radio frequency jamming as the core safe defeat component which has advantages over other technologies, particularly, in its use across civil and military applications

	Safe – "soft kill"		Kinetic – "hard kill"		
DRO offering	**RF jamming**	**Spoofing**	**Counter-drone drones**	**Projectile fire kinetic systems**	**Directed energy**
Impact	No intentional damage to the drone		Physical force used with potential for destructive damage		
Imagery					
Overview	• Radio waves are used to force a drone into emergency protocols - causing it to fly back to its starting point, hover, or land	• Protocol manipulation technology allowing the control of a drone to be "hacked" by a third party	• "Kamikaze" or "catching" drones are used to neutralise a drone threat	• Use of remote weapons systems with integrated weapon platforms to shoot down drones	• Use of lasers and high-power microwave systems to "dazzle" or destroy a drone
Advantages	✓ Universal effectiveness against drones ✓ 360 degree defeat coverage ✓ Effective against swarms ✓ Applications in both civil and military environments	✓ Allows for the re-routing and re-direction of malicious drone flight paths ✓ Applications in both civil and military environments	✓ "Catching" the drone can provide information about its flight path / controller and effectively neutralise the drone	✓ Established technology that has been used on military operations ✓ Destructive outcome neutralises any drone threat	✓ "Game changer" in military applications ✓ Effective against highly advanced drones ✓ Systems can be mounted on naval vessels for complex defence systems
Disadvantages	× Potential for collateral interference (if using a "dirty" jammer)	× Not effective against all drones × Higher chance of collateral damage	× Generally slow to deploy × Not effective against swarms	× Risk of collateral damage × Unsuitable for use in a civil environment	× Technology still in infancy and only available for military applications

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Counterdrone detection solutions offered by DroneShield

DroneShield detection solutions utilise layered technology to create highly capable counterdrone systems

	Radio frequency	Radar	Cameras[1]	Acoustic[2]
Imagery				
Overview	• Foundational layer of an effective counterdrone system • RF sensors provide detection capability by matching drone communication protocols to known drone RF signatures	• Systems that act as motion trackers by emitting signals which may be reflected by objects in their path • Reflected signals from the target are scattered back to the radar system	• Electro-Optical (EO), Infrared (IR) and Thermal camera detection are able to provide video analytics and image capture identification of drone activity	• Systems that are able to remove the background clutter from noise made by drone blades and / or motor and compare it to a database of acoustic signatures
Advantages	✓ No interference with other communications in operational area ✓ Low false alarm rate from a high-quality sensor ✓ Direction-finding capability ✓ Long ranges possible and cost effective	✓ Able to pick up drones without RF emissions ✓ Can utilise different technical approaches ✓ A single radar can track multiple targets	✓ Best used for verification / classification and tracking of a target detected by other sensors ✓ Provides evidence of drone intrusion ✓ Potential identification of payloads	✓ Passive, cost effective ✓ Great as supporting/secondary sensor, using acoustic spectrum to fill detection gaps from other sensors
Disadvantages	× Doesn't pick up RF-silent drones × Requires regular firmware updates	× Prone to false alarms despite filters × Longer range drone detection is usually expensive, large size and / or compliance restricted	× Not well suited for detection due to field-of-view vs distance trade-off × Relatively shorter ranges (camera hardware dependent)	× Short detection distances, prone to false alarms × Cannot identify precise location or pinpoint track × Requires regular signature database updates

Source: Company filings and presentations.
1. Camera technology is provided by DroneShield through partnership agreements with Bosch, Silent Sentinel and Trakka Systems.
2. Acoustic technology is provided by DroneShield through a partnership agreement with Squarehead.

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Benefits and applications of safe, layered, counterdrone systems over kinetic systems

Safe counterdrone systems have many advantages over kinetic counter-drone systems, which are only practical for deployment in war-like scenarios

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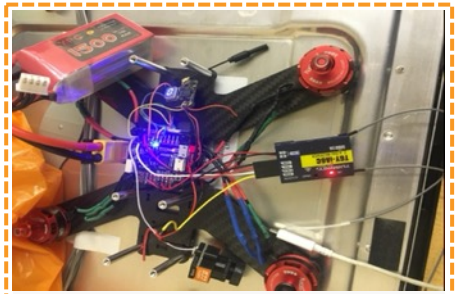
Avoidance of collateral damage

- DroneShield safe defeat solutions force drones to pre-set emergency protocols causing the drone to fly back to its starting point, hover, or land, allowing for the safe defeat of drones
- Alternatively, kinetic solutions could see a destroyed drone fall on crowds of people or inflict “friendly fire” from fired ammunition

Evidence for legal prosecution

- A drone which has been forced to land can be collected by local law enforcement to track the whereabouts of its controller
- As drones are usually accompanied by an image recording device, this can be used as legal evidence to prosecute offenders

Intelligence gathering



- Drones can often carry sensitive instruments or technology
- When forced to land, this technology can be exploited by military personnel to aid in intelligence gathering operations

Multi-platform with scale benefits

- Safe solutions can be carried on-the-man, mounted on light skinned vehicles and provide continuous passive protection unconstrained by ammunition stores
- Kinetic counter-drone solutions are often mounted on heavy, remote weapon stations and constrained by magazine depth

Increasing Predictability of Cash Receipts via Balancing Geographies

Increasing focus towards the more business-transparent Australian and the US customer base, with deep track record of successfully conducting business (and being paid) in the Middle East

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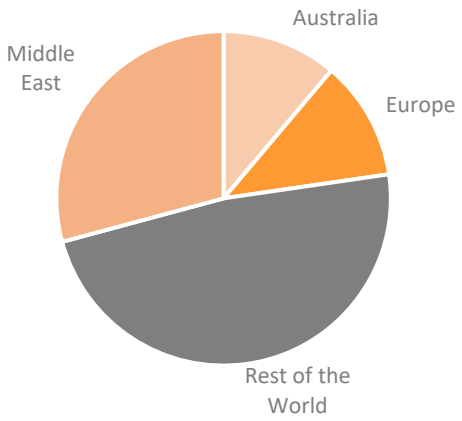
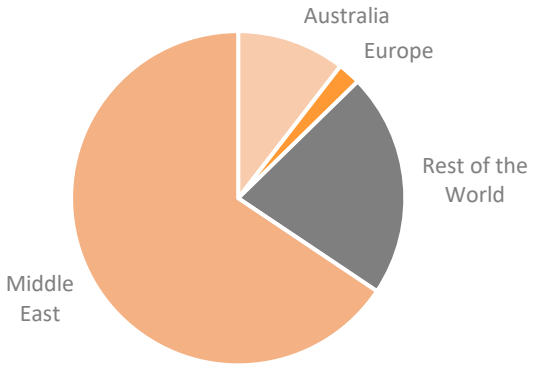
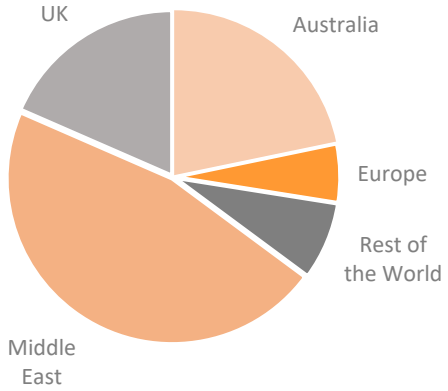
Cash Receipts in 2017



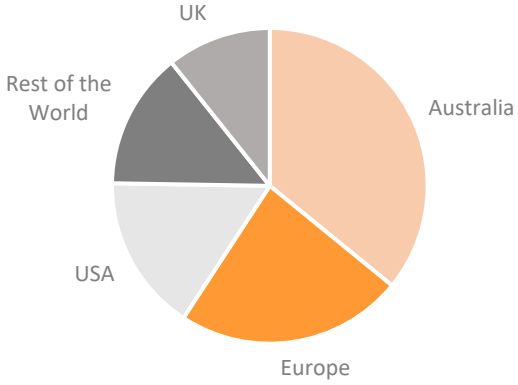
Cash Receipts in 2018



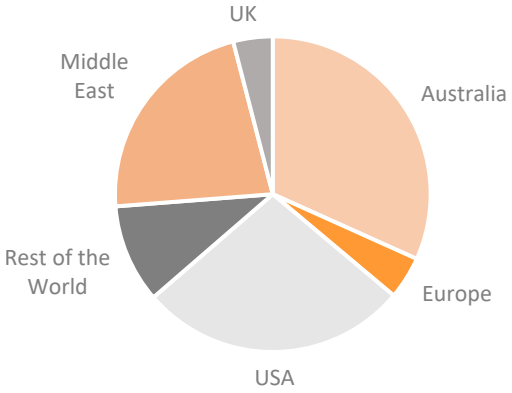
Cash Receipts in 2019



Cash Receipts in 2020



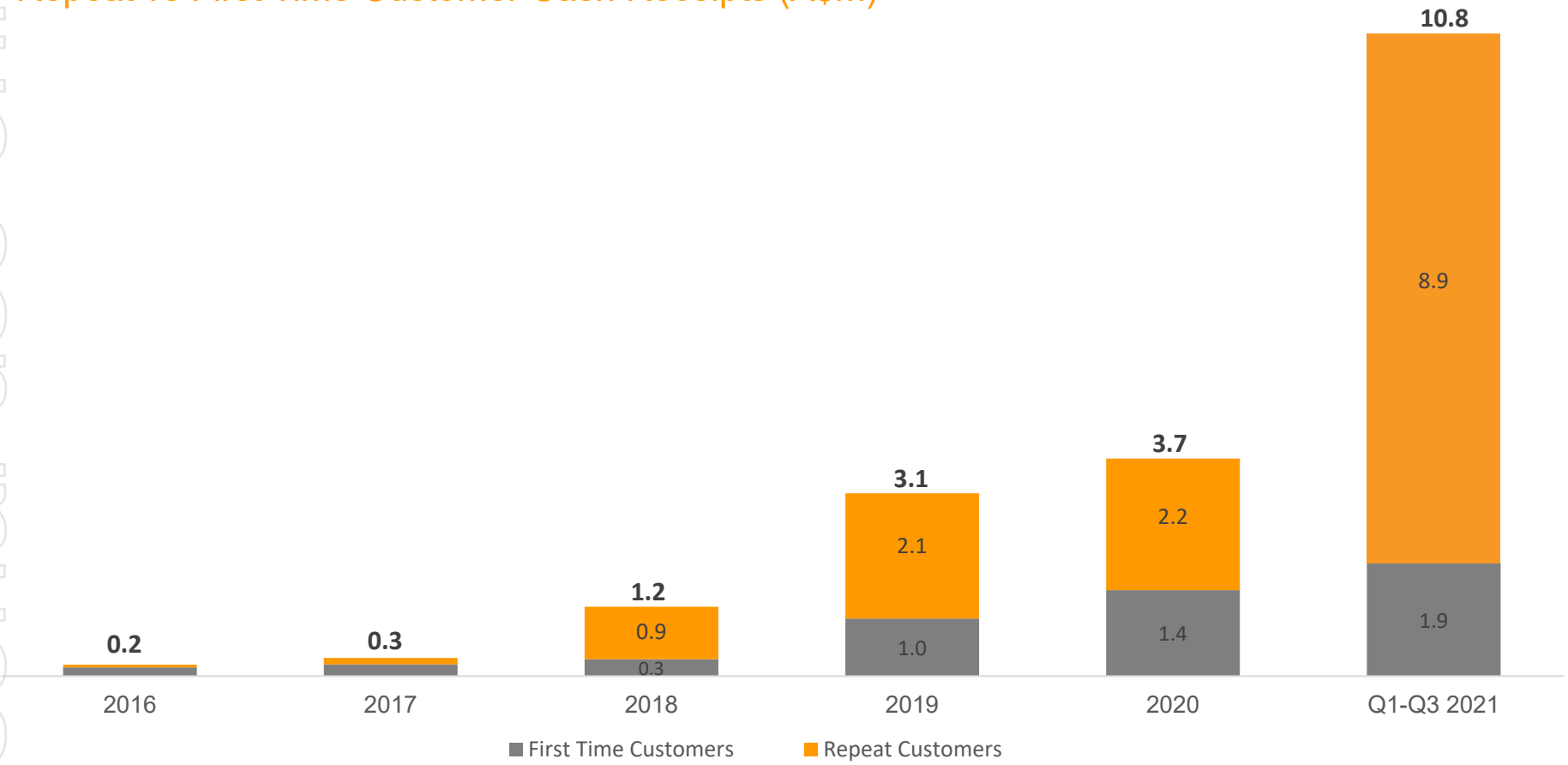
Cash Receipts in Q1-Q3 2021



Increasing Predictability of Cash Receipts via Growing Repeat Business

Defence and Government Agencies often have a long acquisition cycle to first purchase, but are loyal and collaborative customers, once on board. DroneShield has been increasing its repeat customer business

Repeat vs First Time Customer Cash Receipts (A$m)



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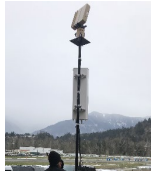
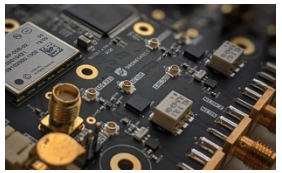
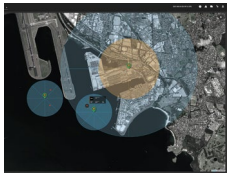
Continuous Significant Momentum

- **DroneShield LLC Incorporated** (January 2014)
- **First Acoustic Sensor Sold** (February 2014)
- **DroneShield Limited incorporated** (September 2015)
- **DroneShield Limited IPO** (June 2016)
- **DroneGun MKI Launched** (November 2016)
- **DroneSentinel Launched** (July 2017)
- **DroneSentry Launched** (July 2017)
- **First DroneSentinel Demo** (October 2017)
- **DroneGun MKII Launched** (September 2017)
- **$3.2m Order with Saudi MoD** (June 2018)
- **DroneGun Tactical Launched** (February 2018)
- **RfPatrol MKI Launched** (April 2019)
- **DroneGun MKIII Launched** (July 2019)
- **$9.55m Capital Raise** (August 2019)
- **RfZero Launched** (August 2019)
- **Partnership with British Telecom** (September 2019)
- **Australian DoD Purchases RfPatrol** (October 2019)



- **DroneSentry-X Launched** (November 2019)
- **Initial US Agency order** (March 2020)
- **RfPatrol MKII Launched** (April 2020)
- **USAF Grand Forks order** (July 2020)
- **$17m capital raise** (September 2020)
- **US ARFL C2 funding,** (September 2020)
- **Government Agency DroneGun Tactical order** (October 2020)
- **Swiss Airport Deployment** (December 2020)
- **RFAI rollout** (February 2021)
- **Multiple Sentry-X order** (March 2021)
- **2x $1m repeat US Agency order** (March 2021)
- **US Law Enforcement order** (April 2021)
- **$3.8m Government Agency order** (June 2021)
- **$7.4m in quarter cash receipts** (July 2021)
- **CompassOne launched** (August 2021)
- **DroneSim launched** (August 2021)
- **SonarOne launched** (September 2021)
- **Today**
- **2022 & Beyond** →





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Seasoned senior sales and engineering teams

DroneShield's experienced team carries a solid track record of delivering growth

Peter James

Independent Non-Executive Chairman

- Peter joined DroneShield's Board of Directors in April 2016
- Over 30 years of experience in the Technology, Telecommunications and Media Industries
- Chairman of ASX-listed companies including Macquarie Telecom and Nearmap

Oleg Vornik

CEO and Managing Director

- Oleg joined DroneShield in 2015, and the Board of Directors in January 2017
- Responsible for overseeing DroneShield's market strategy
- Senior executive experience includes Royal Bank of Canada, Brookfield, Deutsche Bank and ABN AMRO

Jethro Marks

Independent Non-Executive Director

- Jethro joined DroneShield's Board of Directors in January 2020
- CEO and co-founder of the Mercury Retail Group
- Extensive commercial experience in successfully scaling a multinational business

Carla Balanco

CFO and Company Secretary

- Carla joined DroneShield in mid-2018
- Instrumental in scaling the company's financial management systems
- Experience working in Chartered, Commercial and Business Development roles

Red McClintock

Sales Director

- Red served 23 years as an officer in the Royal Australian Navy
- Prior to joining DroneShield, Red worked for five years with BAE Systems as a Business Development and Account Manager

Katherine Stapels

General Counsel

- Kat started her legal career in litigation and moved to an in-house role in 2018
- Kat's previous in-house experience includes manufacture and supply of complex Australian defence technologies
- Registered practitioner of the High Court of Australia

Angus Bean

Chief Technology Officer

- Angus joined DroneShield in early 2016
- Merges the fields of mechanical hardware, electronics, software, digital interface and technology
- Experience as the development lead for Australia's largest industrial design and engineering consultancy

John Wood

Sales Director

- John served in the British Army in Angola, Namibia, Northern Ireland and the Gulf before joining the UK Special Forces
- Co-founder of a global security business
- Owned a tech business supplying specialist operational equipment to the British Army

Hedley Boyd-Moss

Vice President, Engineering

- 30 years of global RF and Electronic engineering
- Working knowledge of regulatory compliance standards
- Specialist knowledge in areas such as antenna manufacturing and RF communication modulation techniques

Matt McCrann

Vice President, Sales

- Experienced business development executive
- Over 15 years of experience in the Defense and National Security sector
- Served in the US Navy as an Intelligence Analyst and a member of NSA/CSS's Cryptologic Direct Support Element

Lyle Halliday

Chief Operating Officer

- Lyle is an experienced Systems Engineer with a background in medical device product development
- Responsible for implementation of processes to ensure customer expectations
- Engineering experience spans electrical, mechanical, manufacturing and software

Carl Norman

Embedded Product Engineer

- Carl is an experienced embedded product engineer who joined DroneShield early in 2019
- Over 25 years of experience in electronic product design, manufacturing and project management
- Background in RF products, analogue, embedded and high speed digital systems

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Capital Structure

Enterprise Value (A$)		
DRO Shares	18c / share[1]	$75.3m[2]
Cash	As at 30 September 2021	$12.1m
Debt	As at 30 September 2021	nil
Enterprise Value		$63.2m

[1] Shareprice as at 25 October 2021. 418,226,152 ordinary shares outstanding at the date
[2] Excluding unlisted options. 24,115,834 unlisted options outstanding as at 25 October 2021

Director and Employee Shareholdings		
Oleg Vornik, CEO and Managing Director	16,770,022 shares 1,250,000 options[2]	4.01%[1]
Peter James, Independent Non-Executive Chairman	10,052,522 shares 662,500 options[2]	2.40%[1]
Jethro Marks, Non-Executive Director	583,333 shares 166,667 options[2]	0.14%[1]
Other Employees	10,188,954 shares 5,866,667 options[2]	2.44%[1]

[1] Based on the shares held and excluding options
[2] Options issued at various strike price and maturities. For full information please refer to ASX releases

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b) involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and

c) may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

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