

Capital Raising Presentation

DroneShield (ASX:DRO)

6 February 2023

Image: DroneGun counterdrone system

Investment Highlights



1

World leading proprietary **AI platform** for protection against drones

2

Leverage to the **global defence and security technology sector**. **\$10bn counterdrone** addressable market, in addition to **electronic warfare and Defence AI markets**

3

\$19m contracted backlog of orders and cumulative sales pipeline of over **\$200m for 2023**. Expecting to become **sustainably cash flow positive** during 2023

4

Best in class customer base including **Australian Department of Defence, US DoD, US State Department and others**

5

\$16.9m in 2022 revenue*, another record year, as the business **is at inflection point**

6

Sticky customer base, with repeat customers constituting the majority of sales



DroneGun MKIII



DroneGun Tactical



RfPatrol

*Preliminary unaudited figure

Executive Summary



DroneShield Overview	<ul style="list-style-type: none">Founded in 2014 and listed on the ASX in 2016, DroneShield (ASX:DRO) provides Artificial Intelligence platforms for protection against dronesHardware and software solutions that detect and safely neutralise small drones used for high-tech warfare, terrorism, contraband delivery, and airport disruptionsKey customers include military, intelligence community, Homeland Security, law enforcement, critical infrastructure, and airports globally
Financial Highlights	<ul style="list-style-type: none">Record \$16.9 million revenue for 2022, with expected strong 2023\$19 million contracted backlog of orders, expected to be fulfilled and paid in 2023Strong cash position with \$10.3 million cash in bank (as at 31 December 2022); \$14.1 million cash in bank as at 31 January 2023
Business Model	<ul style="list-style-type: none">Three streams of revenue: hardware (drone detection and defeat devices), SaaS (device software updates) and R&D contractsSales through an experienced in-house veteran salesforce with distribution partners across over 100 countriesRegular software updates for hardware products and DroneSentry-C2™ (Command-and-Control software) as a standalone subscription product is expected to lead to a significant proportion of SaaS revenue over the next 5 yearsR&D contracts are expected to increase, representing an opportunity to develop advanced capability in-house, and attracting and upskilling talent
Proprietary AI Technology	<ul style="list-style-type: none">Underpinning all hardware products are the Company's proprietary AI-enabled threat awareness software engines RFAI™ and DroneOptID™, and the sensor fusion engineThe software engines utilise proprietary techniques to undertake real-time, at the edge, detection and identification of drones and other potential threats in the ISR and Electronic Warfare fieldsCustomers receive regular software updates via enrolling in a SaaS model at the time of purchase of their systems.All hardware except for radars and cameras fully designed and developed in-house, with no reliance on third party IP
Addressable Market	<ul style="list-style-type: none">Large international addressable markets in counterdrone and related EW and tracking systems estimated at approximately US\$10 billion worldwideRapidly improving and easily available drone technology is driving demand for counterdrone solutionsCurrent geopolitical conflicts make extensive use of drones by all sidesDefence, the intelligence community and border security will continue to be the key focus for DRO, however there is a major opportunity for continued expansion into other markets including civilian airports, prisons, stadiums and corporates
Key execution priorities	<ul style="list-style-type: none">US sales: converting trial and integration successes into large multi-million-dollar contractsAustralia sales: expanding on the initial A\$3.8m Electronic Warfare contract into the next, and larger, contractTechnology: rapidly scaling the AI engine software for SaaS deploymentsM&A: continue to review and successfully implement appealing acquisition options. \$3.7 million investment into DRO by Epirus in Nov 2022, a US tech unicorn
Capital Raise	<ul style="list-style-type: none">DroneShield has raised approximately A\$10.9 million via a share placement to institutional investors (Placement) and expects to raise up to an additional A\$3 million via a Share Purchase Plan (SPP) to raise a total of approximately A\$13.9 million (Capital Raise) (refer to page 27 for more detail)Proceeds from the Capital Raise will be used to build up DroneShield's inventory in response to recent contract wins as well as the scaling of the Company's engineering and sales team. Additional funds are to be used for working capital purposes and transaction costs.

Record 2022, with Strong Outlook for 2023



- **All-time record revenue and cash receipts achieved in 2022, with a strong outlook for 2023***
 - Revenue increases approximately 60% over previous record year, to \$16.9 million
 - Cash receipts at a record \$15.6 million
- **Two all-time record \$11 million orders received in December and January, to two different Government customers**
 - These sales will be fulfilled from existing stock and working capital, via favourable payment terms
- **Recommendation by the US DoD for rollout across its bases nationwide, expected to commence this year**
 - SBIR project awarded by US DoD with partner Quantum Research International
- **The first U.S. airport deployment, deployments at Davos and IRONMAN Texas**
- **Numerous \$1m+ deployments with the U.S., European and other Government customers**
 - Appointment to the Australian DoD Intelligence, Surveillance, Reconnaissance and Electronic Warfare Standing Offer Panel
- **\$3.7 million investment from Epirus Inc, a U.S. defense technology unicorn developing software-defined directed energy systems**
- New partnerships with Teledyne FLIR, Nearmap, Allen Vanguard and XRG, while strengthening and making additional sales through existing partnerships with BT, Trakka and Thales
- Launch of a dedicated testing facility in Australia
- Favourable macro environment for DroneShield with rapidly rising counterdrone, defence and security spending globally

* There is no assurance that any of the Company's sales opportunities will result in sales.

Epirus Investment and Partnership



- In November 2022, DroneShield announced a strategic partnership with Epirus, which included a \$3.7 million investment at 20c for a 4.1% stake
- Epirus is a high-growth U.S. technology unicorn, developing software-defined directed energy systems that enable unprecedented counter-electronics effects and power management solutions to optimize power efficiency in defense and commercial applications
- This includes the Leonidas™ solid-state, software-defined high-power microwave (HPM) technology to enable unmatched counter-electronics effects for a range of use cases
- Epirus was founded in California in 2018 and has raised approximately US\$300 million (approximately A\$450 million) in funding since inception
- DroneShield and Epirus share a number of attractive synergies across technology and customer bases, and are both a part of the SAIC consortium, which has been recommended by JCO (part of U.S. Army) for counterdrone rollout across U.S. Department of Defense bases nationwide
- Epirus has deep linkages into a range of US Government agencies, which is expected to benefit DroneShield's US sales and create additional revenue streams



ersonal use only



DRONESHIELD

Business Overview

Image: RfPatrol™ during customer evaluation

Why is the Malicious Use of Drones a Threat?



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



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



Cyber and Ransom attacks

- **Corporates, Ships, Facilities:** Hack into control networks via proximity intrusion with a drone, and demand ransom or cause terrorist attack

AI-Enabled Platforms for Protection against Advanced Threats



Multiple platforms in adjacent technologies and customers with a common theme of AI-based threat protection

Counterdrone

- Global leader with multiple differentiators in a rapidly growing counterdrone market
- Hardware sales with SaaS
- Tier 1 customers across military, intelligence community, Government and critical infrastructure
- \$200m+ pipeline

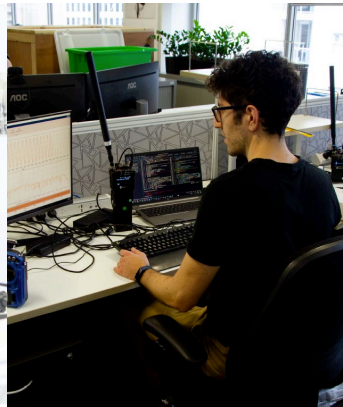
Artificial Intelligence in Electronic Warfare

- Executing on a 2 year \$3.8m contract with Australian DoD, following on the initial \$600k contract in 2020
- Follow-up contract expected in 2023
- Potential to take the work to the US DoD
- Land, Sea/sonar, Air, Space and Joint Forces applications
 - DroneShield's AI software is well positioned to solve Defence "big data" challenges

Artificial Intelligence in computer vision and sensor fusion

- Completed 1-year initial \$800k contract with Australian DoD in late 2022
- Expecting follow up work

Synergies between counterdrone and non-drone applications



How does a counterdrone system work?



Step 1

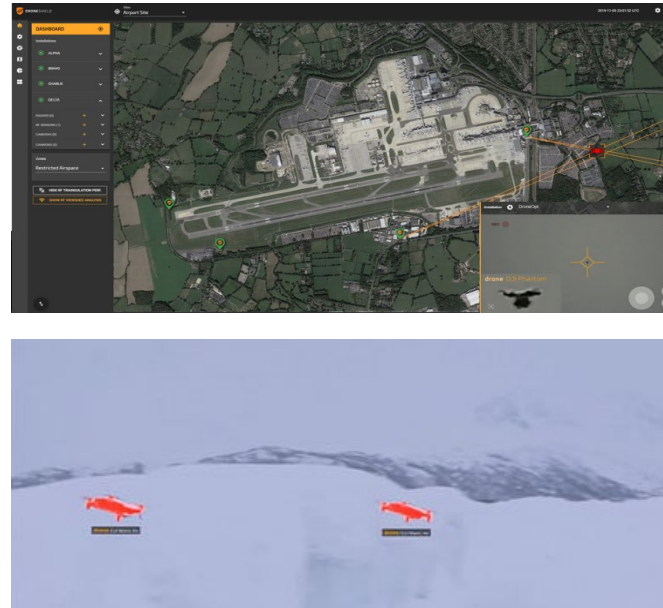
Detect



- State of the art, multi-sensor drone **detection** products provide optimal detection and identification of drones and other UAS threats

Step 2

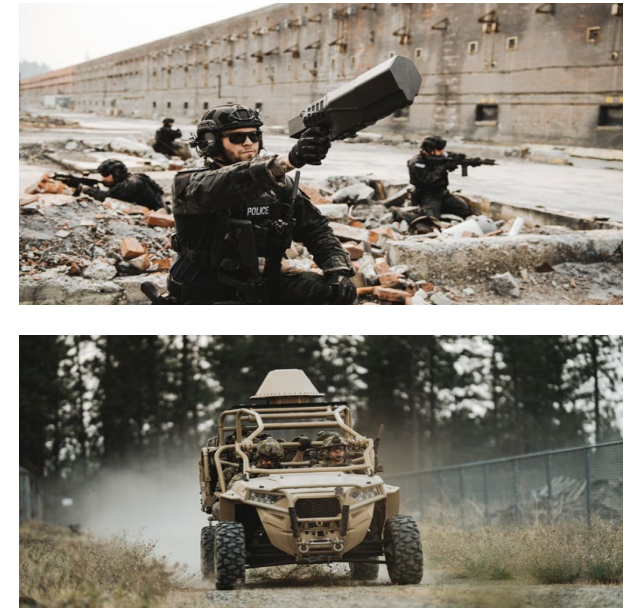
Assess



- Machine learning and AI based detection and classification software is used to undertake near-real time tracking and **assessment** of drones and UAS threats

Step 3

Respond



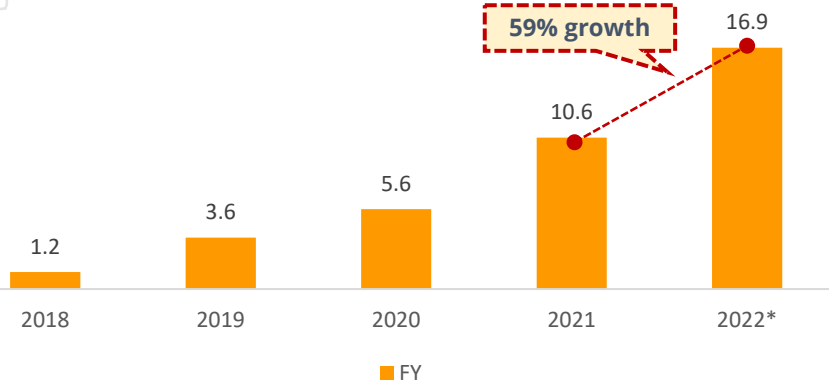
- **Respond** / defeat technologies offer intelligent, responsive, non-kinetic jamming for the controlled management of threats

Continued Rapid Growth (A\$m, Dec YE)

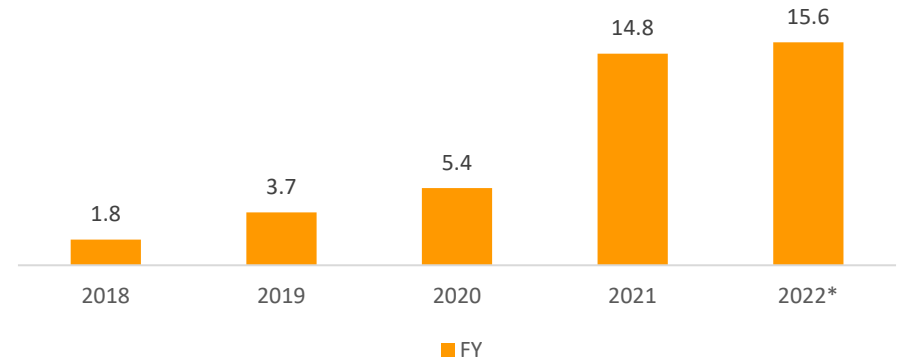


Rapidly improving financials, as the business stands at an inflection point into 2023

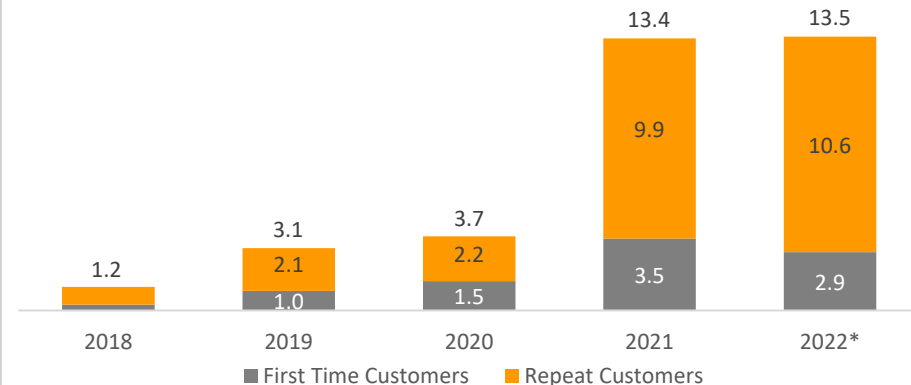
Strong Revenue Growth



Rapid Cash Receipt Growth (Sales + Grants)



Customer "Stickiness": Repeat vs First Time Receipts



*FY 2022 results are preliminary unaudited figures

Capital Structure



Capital Structure

DRO Shares on Issue	451,041,985
DRO Options on Issue ¹	35,755,001
Fully Diluted Shares on Issue	486,796,986
Fully Diluted Equity Value ²	\$180.1m
Cash ³	\$10.3m
Debt	\$nil
Fully Diluted Enterprise Value	\$169.8m

¹ Options issued at various strike price and maturities. For full information please refer to ASX releases

² At 37c per share, as at 1 February 2023

³ As at 31 December 2022

Director and Employee Shareholdings

Oleg Vornik, CEO and Managing Director	8,077,022 shares 10,250,000 options ²	3.76% ¹
Peter James, Independent Non-Executive Chairman	6,301,688 shares 5,132,500 options ²	2.35% ¹
Jethro Marks, Non-Executive Director	666,666 shares 1,083,334 options ²	0.36% ¹
Other Employees	22,938,954 shares 13,416,667 options ²	7.47% ¹

¹ On a fully diluted basis

² Options issued at various strike price and maturities. For full information please refer to ASX releases

Research Coverage

BELL POTTER

PELOTON
CAPITAL



Image: RfPatrol™ at the Rheinmetall and Team SABRE (Safran, Nova Systems, BAE Systems) stands at Land Forces 2022

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



Tom Branstetter

U.S. Director of Business Development

- U.S. Navy veteran and former Navy SEAL
- Focus across DoD and other federal agencies
- Tom holds a Bachelor of Arts degree in Entrepreneurship



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



Lawrence Marychurch

Vice President, Design

- Lawrence joined DroneShield in 2018 and has a background in Industrial Design
- Manages a team of industrial designers and mechanical engineers as well as DroneShield's in-house production team
- Responsible for DroneShield's wide base of Australian and international component suppliers



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

U.S. CEO

- 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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Addressable Market

Image: DroneSentry™ system

Counterdrone: Multi-Billion Dollar Market by 2024



Rapidly improving and easily available drone technology is driving demand for counterdrone solutions

Military



Government Facilities



Law Enforcement



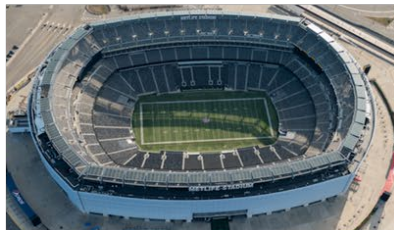
Protective Details



Airports



Stadiums



Commercial Venues



Energy Production



High Profile Events



Shipping / LNG Ports



Rescue / Fire Response



Correctional Facilities



Sources:

MarchWatch: <https://www.marketwatch.com/press-release/counter-uas-market-size-share-growth-business-scenario-insights-industry-analysis-and-forecasts-report-2027-2021-11-11>

Markets and Markets: <https://www.marketsandmarkets.com/Market-Reports/anti-drone-market-177013645.html>

Factors & Factors: <https://www.globenewswire.com/en/news-release/2021/08/27/2287713/0/en/Global-Counter-UAV-Market-Size-Share-Expected-to-Reach-USD-2-041-09-Million-by-2026-Facts-Factors.html>

US\$10bn Total Addressable Market



Military Vehicles - Mounted
\$25k - \$200k each

\$2.3bn

\$1.1bn



Airports - Fixed Sites
\$125k - \$2m each

\$1.1bn



Military - Portables
\$20k - \$55k each



\$625mil

Energy Production & Critical
Infrastructure - Fixed Sites
\$125k - \$2m each

Law Enforcement - Portables
\$63k - \$500k each

\$550mil

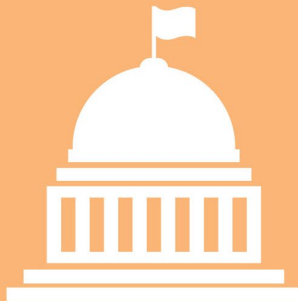


Military - Fixed Sites
\$125k - \$860k each

\$500mil



Government Facilities - Fixed Sites
\$63k - \$500k each



\$1.5bn



\$582mil

Shipping - Vehicle Mounted
\$63k - \$200k each



\$500mil

Civil Helicopters -
Fixed Sites
\$30k each



Military helicopter -
Vehicle mounted
\$25k - \$125k each

\$390mil

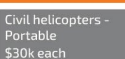


\$500mil

Correctional Facilities -
Fixed Sites
\$63k - \$500k each



Stadiums & Events
Fixed Sites or Portable
\$25k - \$125k each



Civil helicopters -
Portable
\$30k each

Oil Refineries - Fixed Sites
\$62k - \$500k each

Shipping & Ports - Fixed Sites
\$125k - \$1m each

Sources: <https://www.dronesshield.com/counterdrone-market>

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DroneShield Capability and Product Overview

Image: DroneSentry-X™ at the Canadian Government Agency evaluation

DroneShield Capability Overview



High IP, yet mass-production hardware, with a software subscription platform and Electronic Warfare work

Hardware with Embedded Software and Associated Services

Dismounted & Body-Worn Counterdrone Solutions



DroneGun MKIII



DroneGun Tactical



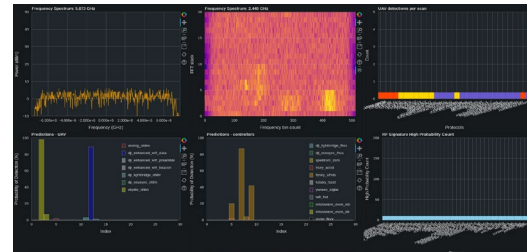
RfPatrol

Software (SaaS and R&D contracts)

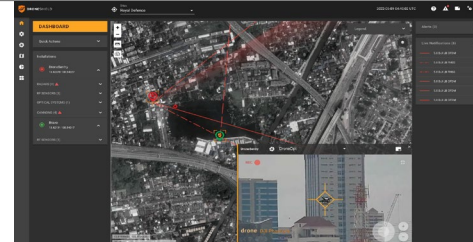
Electronic Warfare and SIGINT



RFAI (Radiofrequency AI engine)



DroneSentry-C2 and DroneOptID



Vehicle / Ship / Fixed Site Counterdrone Solutions



DroneSentry-X



DroneSentry





- DroneShield has its own production facility, supplemented by outsourced manufacturers, to ensure ability to manage large hardware orders

- The focus is on software subscriptions, with hardware fleet serving as an enabling platform

Counterdrone detection solutions



DroneShield uses multi-sensor drone detection for optimal results, unaffected by time of day or weather







	Radio frequency	Radar*	Cameras*	Acoustic*
Imagery				
Overview	<ul style="list-style-type: none"> Foundational layer Detects drone comms protocols (via conventional RF library or an AI engine) 	<ul style="list-style-type: none"> Motion tracker - emits signals which are then reflected back to the radar by targets 	<ul style="list-style-type: none"> Electro-Optical (EO), Infrared (IR) and Thermal Video analytics and image capture identification of drone activity 	<ul style="list-style-type: none"> Compares noise of drone blades or motor to a database of acoustic signatures
Advantages	<ul style="list-style-type: none"> ✓ No interference with other sensors ✓ Tracks multiple targets ✓ Passive – cannot be “seen” ✓ Low false alarm rate ✓ Direction-finding capability ✓ Long ranges ✓ Cost effective 	<ul style="list-style-type: none"> ✓ Picks up drones without RF emissions ✓ Tracks multiple targets 	<ul style="list-style-type: none"> ✓ Best used for verification, classification and tracking of a target detected by other sensors ✓ Potential identification of payloads ✓ Provides “eye on target” 	<ul style="list-style-type: none"> ✓ Passive, cost effective ✓ Supporting sensor, filling gaps from other sensors
Disadvantages	<ul style="list-style-type: none"> ✗ Doesn't pick up RF-silent drones ✗ Requires firmware updates 	<ul style="list-style-type: none"> ✗ False alarms (birds etc) ✗ Is “seen” as emits energy ✗ Longer range detection is expensive ✗ Struggles with hovering drones 	<ul style="list-style-type: none"> ✗ Not well suited for detection on its own due to field-of-view vs distance trade-off ✗ Short ranges 	<ul style="list-style-type: none"> ✗ Short range ✗ False alarms ✗ Cannot locate or track ✗ Requires signature database updates

* Third party hardware, integrated into DroneShield combined multi-sensor solution, with differentiated offering via AI-powered software layers

Counterdrone defeat solutions



DroneShield uses smart jamming which has advantages over other technologies, particularly, in its use across civil and military applications, and does not compete against large Defence Primes

DRO offering	Safe - "soft kill"			Kinetic - "hard kill"	
	Smart jamming	Spoofing/Cyber	Counter-drone drones	Projectile fire kinetic systems	Directed energy (Laser or microwave)
Impact	No intentional damage to the drone			Physical force used with potential for destructive damage	
Imagery			 		
Overview	<ul style="list-style-type: none"> Radio waves force a drone to fly back, hover, or land 	<ul style="list-style-type: none"> Hijacks the control of a drone 	<ul style="list-style-type: none"> "Kamikaze" or "catching" drones 	<ul style="list-style-type: none"> Remote weapons systems shoot down drones 	<ul style="list-style-type: none"> Lasers and high-power microwave systems "dazzle" or destroy a drone
Advantages	<ul style="list-style-type: none"> ✓ Universal effectiveness ✓ 360-degree defeat coverage ✓ Effective against swarms ✓ Civil and military environments 	<ul style="list-style-type: none"> ✓ Allows for the re-routing and re-direction of malicious drone flight paths ✓ Applications in both civil and military environments 	<ul style="list-style-type: none"> ✓ "Catching" the drone is available to a wider range of customers 	<ul style="list-style-type: none"> ✓ Effective against Govt-grade drones ✓ Established technology for military operations 	<ul style="list-style-type: none"> ✓ Effective against Govt-grade drones ✓ Systems can be mounted on naval vessels for complex defence systems
Disadvantages	<ul style="list-style-type: none"> ✗ Potential for collateral interference (for a "dirty" jammer) 	<ul style="list-style-type: none"> ✗ Not effective against all drones ✗ Higher chance of collateral damage 	<ul style="list-style-type: none"> ✗ Generally slow to deploy ✗ Not effective against swarms 	<ul style="list-style-type: none"> ✗ Collateral damage ✗ Unsuitable for use in a civil environment 	<ul style="list-style-type: none"> ✗ In early stages ✗ Only available for military applications

Exotic tech, limited reliability

Large Defence Primes dominance area



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Competitor Analysis

DroneShield's competitive counterdrone advantage?



C-UAS market pioneer, with a culture of systematic innovation and understanding of channels to market

Market leading, differentiated 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 AI-powered SaaS...



Proprietary software integrated across product suite



Difficult to replicate



Experienced development team for quarterly software updates

... and backed by high barriers to entry



Experienced in-house veteran sales team



Relationships and pipeline with global defence partners and clients in over 100 countries














Deep in-house world-leading technology talent (40+ engineers)

Competitor analysis

DroneShield is the only global provider of own individual sensors, all integrated into a complete system, fully in-house



Country of origin	 / 				 / 				
Integrator	✓	✓	✓	✓	✓	-	-	-	✓
In-House Detect									
Dismounted	✓	-	-	-	-	-	-	-	-
Vehicle Mounted	✓	-	✓	-	-	-	-	✓	✓
Fixed Site	✓	✓	✓	-	✓	-	-	✓	✓
In-House Defeat									
Dismounted	✓	✓	-	✓	✓	✓	✓	-	-
Vehicle Mounted	✓	-	-	-	-	-	-	✓	-
Fixed Site	✓	-	-	✓	-	-	-	✓	✓
Commentary									
Platform information	<ul style="list-style-type: none"> ✓ Most extensive product range in the market ✓ Large in-house IP portfolio ✓ Market leading performance 	<ul style="list-style-type: none"> ✓ Integrator-only via its Lattice platform ✓ Acquired Copius Imaging sensing technology 	<ul style="list-style-type: none"> • Substantially an integrator • Acquired AVT, a smaller integrator 	<ul style="list-style-type: none"> • Substantially an integrator 	<ul style="list-style-type: none"> • Lower-performance technology • Focus on prison and police 	<ul style="list-style-type: none"> • Handheld Dronekiller jammer gun • Lacks a full product suite 	<ul style="list-style-type: none"> • Handheld DroneBuster jammer gun • Lacks a full product suite 	<ul style="list-style-type: none"> • Titan detect-and-defeat- a halfway solution between a portable and vehicle product • LOCUST laser defeat 	<ul style="list-style-type: none"> • Offer an expensive, competing product to DroneSentry • Lacks a full product suite
Detection	RF, EO / IR, Radar	RF, EO / IR, Radar	RF, EO / IR, Radar	RF, EO / IR, Radar	RF, EO / IR, Radar	-	-	RF	EO / IR, RF, Radar
Defeat	RF smart jamming	Drone on drone – Anvil product	-	Catching net, RF jamming	RF jamming	RF jamming	RF jamming	RF jamming, Laser	RF jamming
Geography focus	Global	USA, UK, Australia	USA	USA	Global	USA	Global	USA	USA
In-house technology portfolio	RF, EW, waveforms, AI, sensorfusion, computervision	Sensor integration	EO / IR sensors, gimbals, RF	Sensor integration	RF	Waveforms	RF	RF, Laser	RF, EW, radar

Note: Competitor analysis based on publicly available information

www.droneshield.com





DRONESHIELD

Key Execution Priorities and Growth Strategy

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



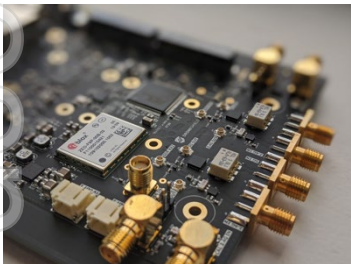
Three-part Strategy



Continue Leadership in the Counterdrone/Unmanned Threat Sector

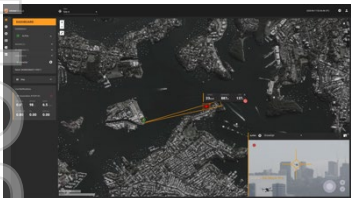
- The counterdrone market is growing rapidly, especially in the US
- DroneShield is well positioned as the industry pioneer, with on-the-ground US team, and Australia being part of the Five Eye intelligence alliance (US, UK, Australia, NZ and Canada)

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)

ersonal use only



DRONESHIELD

Capital Raising

Image: DroneShield product brief at the Eurosatory conference

Capital Raising Overview



DroneShield has raised approximately A\$10.9 million via Placement and expects to raise up to an additional A\$3 million via SPP to raise a total of approximately A\$13.9 million

Placement	<ul style="list-style-type: none">• Placement to raise approximately A\$10.9 million under the company's existing placement capacity per LR7.1 ("Placement")• Approximately 36.3 million new fully paid ordinary shares in DRO ("New Shares") to be issued under the Placement, representing approximately 8.0% of DRO current shares on issue
Share Purchase Plan	<ul style="list-style-type: none">• The Company intends to offer eligible shareholders the opportunity to participate in a Share Purchase Plan ("SPP") and apply for up to A\$30,000 of New Shares, to raise up to an additional A\$3 million• Record date for determining eligibility for the SPP is 7:00pm on Friday, 3 February 2023• DRO reserves the right to increase the size of the SPP or to scale back applications in its absolute discretion• Further details in relation to the SPP including the timetable will be provided to eligible shareholders in an SPP booklet expected to be released following the Placement
Offer Price	<ul style="list-style-type: none">• New Shares issued under the Placement and SPP will be issued at a price of A\$0.30 per new share ("Offer Price"), representing a:<ul style="list-style-type: none">– 18.9% discount to the last close price on 1 February 2023 of \$0.37– 19.9% discount to 5 trading day VWAP of \$0.374
Ranking	<ul style="list-style-type: none">• All new shares issued under the Offer will rank equally with existing DRO shares from the date of issue
Joint Lead Managers	<ul style="list-style-type: none">• Bell Potter Securities Limited ("Bell Potter") and Peloton Capital Pty Ltd ("Peloton") are acting as Joint Lead Managers to the capital raise

Capital Raising and Use of Funds



PRO-FORMA FUNDING	A\$M
Cash Balance ¹	\$14.1
Capital Raising ²	\$13.1
Pro Forma Cash Balance	\$27.2

¹ Cash balance as at 31 January 2023

² Assumes placement of A\$10.9 million and fully subscribed SPP of A\$3 million less transaction costs

CAPITAL RAISE USE OF FUNDS	A\$M
Inventory	
Build up of inventory in response to recent and anticipated contract wins	\$9.9m
Growth	
Scaling of engineering, manufacturing and sales teams	\$2.0m
Working Capital	
Working Capital and Transaction Costs	\$2.0m
TOTAL	\$13.9m



Offer Timetable



Indicative capital raising timetable¹

Date (AEDT)

Trading Halt and Bookbuild Opens

Thursday, 2 February 2023

Record date for SPP

7:00pm, Friday, 3 February 2023

Announcement of Capital Raising and Trading Halt Lifted

Monday, 6 February 2023

SPP Information Booklet and SPP Acceptance Form Dispatched

Thursday, 9 February 2023

Settlement of Institutional Placement

Thursday, 9 February 2023

Open of SPP Offer

Thursday, 9 February 2023

Allotment of New Shares under Institutional Placement

Friday, 10 February 2023

Close of SPP Offer

Thursday, 2 March 2023

Announcement of SPP results

Tuesday, 7 March 2023

Allotment of New Shares under the SPP

Thursday, 9 March 2023

¹ The timetable is indicative only and subject to change by the Company and Joint Lead Managers, subject to the Corporations Act and other applicable laws

ersonal use only



DRONESHIELD

Key Risks



Image: DroneSentry-X™ in deployment

Key Risks



Business Strategy Risk	DroneShield's growth and financial performance is dependent on its ability to successfully execute its growth strategy. If DroneShield fails to execute on its business strategy, its business, financial condition and results of operations could be materially and adversely affected.
COVID-19	<p>The ongoing outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19.</p> <p>Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.</p>
Future Profitability	<p>DroneShield's business requires significant expenditure on marketing, business development and personnel, and substantial capital investment in production facilities.</p> <p>Accordingly, DroneShield may not maintain profitability and, to the extent such expenditure and investment continue, may suffer a shortage of working capital.</p>
Government Contracts	<p>A portion of the Company's revenues may depend on the Company's ability to do business with the U.S. as well as foreign governments and their various agencies, whether directly or indirectly. Such customers may:</p> <ul style="list-style-type: none"> • award or terminate contracts at their convenience; • terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change; • cancel multi year contracts and related orders if funds become unavailable; • shift their spending priorities; • adjust contract costs and fees on the basis of audits done by its agencies; • use and practice intellectual property developed in the performance of a government contract or subcontract; • claim rights to intellectual property not properly protected pursuant applicable contract terms; • seek penalties and fines exceeding the value of a contract for contract activity that results in the submission of a false claim to the government; • debar the Company or its subsidiaries because of legal and other actions undertaken by or against the Company or its subsidiaries, the Company's officers, • directors, shareholders, employees and affiliates, or convictions of the Company's officers, directors, shareholders, employees or affiliates; and • inquire about and investigate business practices and audit compliance with applicable rules and regulations.

Key Risks (continued)



Counterparty Risk	<p>The Company conducts a significant proportion of its business with customers outside of Australia. This presents risks in the ability and the costs to the Company in recovering payments due to the Company. The Company mitigates that by generally requiring substantial or full payment prior to shipment of goods (with some exceptions for customers with high degree of trust, such as US Government agencies).</p> <p>However late payments, cancelled orders and bad debts may still occur over time.</p>
Supply	<p>The Company may experience delivery delays if its contract manufacturer fails to deliver products. DroneShield's products are manufactured by several key contract manufacturers, as well as (on smaller scale, and only for some of its product lines) in DroneShield's own facility. Any operational issues that the manufacturers incur may affect the delivery of the products. DroneShield depends on the manufacturers to adjust operations accordingly with demand of the product to ensure no backlog in production. There is also a risk with working with only several key manufacturers, in that termination of any one of their agreements to produce, can temporarily halt all deliveries until resolved or a new agreement is made with another manufacturer.</p>
Product Liability	<p>As with all new products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage, if any.</p>
Litigation	<p>The Company is exposed to possible litigation risks including, but not limited to, intellectual property ownership disputes, contractual claims, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.</p>
Government Legislation	<p>Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire or operate economic interests may affect the viability and profitability of the Company.</p>
Environmental	<p>The Company's operations are subject to government environmental legislation. While environmental issues are continually monitored to minimise the likelihood of risk there is no assurance that the Company's respective operations will not be affected by an environmental incident or subject to environmental liabilities. The introduction of new environmental legislation and regulations may result in additional cost to the Company arising from additional compliance, further capital expenditure and monitoring which may have a material adverse impact on the financial position and performance of the Company.</p>

Key Risks (continued)



Data Loss, Theft or Corruption	<p>The Company stores data in its own systems and networks and also with a variety of third party service providers. Exploitation or hacking of any of these systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results.</p> <p>Further, if the Company's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers.</p>
Foreign Exchange	<p>The Company will be operating in a variety of jurisdictions (both for its customer both and its supply chain), including the United States of America and Australia, and as such, expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. For example, the appreciation or depreciation of the US dollar relative to the Australian dollar would result in a foreign currency gain or loss. Any depreciation of currencies in foreign jurisdictions in which the Company operates may result in lower than anticipated revenue, profit and earnings of the Company. Outside of Australia, the Company uses USD pricing for all of its products.</p>
Insurance Coverage	<p>The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company has arranged and maintains insurance coverage for its employees (such as travel insurance, workers compensation, and health insurance policies for some of its overseas employees), public liability, professional indemnity, motor vehicle, marine cargo, Directors & Officers, as well as and other insurances such as general liability covering office and contents, however it does not currently propose to arrange and maintain product liability, or business interruption insurance. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.</p>
Disputes	<p>The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes.</p>
Accounting Standards and Tax Laws	<p>The Company is exposed to the risk of changes to accounting standards, applicable laws or their interpretation which may have a negative effect on the Company, its investments or returns to Shareholders including the risk of non-compliance with reporting or other legal obligations. Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns.</p>

Key Risks (continued)



Strategies	<p>There are no limits on strategies that the Company may pursue. The strategy discussed in these Presentation Materials may evolve over time due to, among other things, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice, and otherwise in the Company's sole discretion. As a result, the strategy, approaches, markets and products described in these Presentation Materials may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company at a later date.</p> <p>Further, a change in strategy may involve material and as yet unanticipated risks, as well as a high degree of risk, including a higher degree of risk than the Company's strategy in place as of the date hereof.</p>
Additional Requirements for Capital	<p>The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programs. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.</p>
Research and Development and Technical Risk	<p>DroneShield's products are the subject of continuous research and development and necessarily need to be substantially developed further in order to enable the Company to be able to sell and subsequently support DroneShield's products in large numbers, and in order to meaningfully improve the products' usability, scalability and accuracy. There are no guarantees that the Company will be able to undertake such research and development successfully. Failure to successfully undertake such research and development, anticipate technical problems, or estimate research and development costs or timeframes accurately will adversely affect the Company's results and viability.</p>
Technology Risk	<p>DroneShield's market involves rapidly evolving products and technological change. To succeed, the Company will need to research, develop, design, develop, manufacture, assemble, test, market and support (i) substantial enhancements to its existing products and (ii) new products, on a timely and cost-effective basis. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.</p>

Key Risks (continued)



Financial Environment

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include:

- contractions in the world economy or increases in rates of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- international currency fluctuations and changes in interest rates;
- the demand for and supply of capital and finance;
- changes in government legislation and regulatory policy, including with regard to rates and types of taxation; and
- domestic and international economic and political conditions.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other illegal acts.

Key Risks (continued)



Intellectual Property Rights

A substantial part of the Company's commercial success will depend on its ability to establish and protect DroneShield's intellectual property to maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no guarantee that the Company's patents are valid or enforceable or that the patents will be granted in countries other than the United States. The commercial value of these intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications. It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against DroneShield or the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations. Additionally, securing rights to (or developing) technologies complementing DroneShield's existing intellectual property will also play an important part in the commercial success of the Company. There is no guarantee that such rights can be secured or such technologies can be developed.

Foreign Selling Restrictions



Hong Kong

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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The Company does not undertake to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

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Certain statements contained in the Presentation Materials, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements:

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- 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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The words “believe”, “expect”, “anticipate”, “indicate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements.

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