

1. Company details

Name of entity:	DroneShield Limited
ABN:	26 608 915 859
Reporting period:	For the year ended 31 December 2024
Previous period:	For the year ended 31 December 2023

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	6.4%	to	57,529
Loss from ordinary activities after tax attributable to the owners of DroneShield Limited	up	114.1%	to	(1,320)
Loss for the year attributable to the owners of DroneShield Limited	up	114.1%	to	(1,320)

Comments

The loss for the Group after providing for income tax amounted to \$1,320,000 (31 December 2023: profit of \$9,336,000).

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	0.35	0.15

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of DroneShield Limited for the year ended 31 December 2024 is attached.

12. Signed

Signed  _____

Peter James
Independent Non-Executive Chairman
Sydney NSW

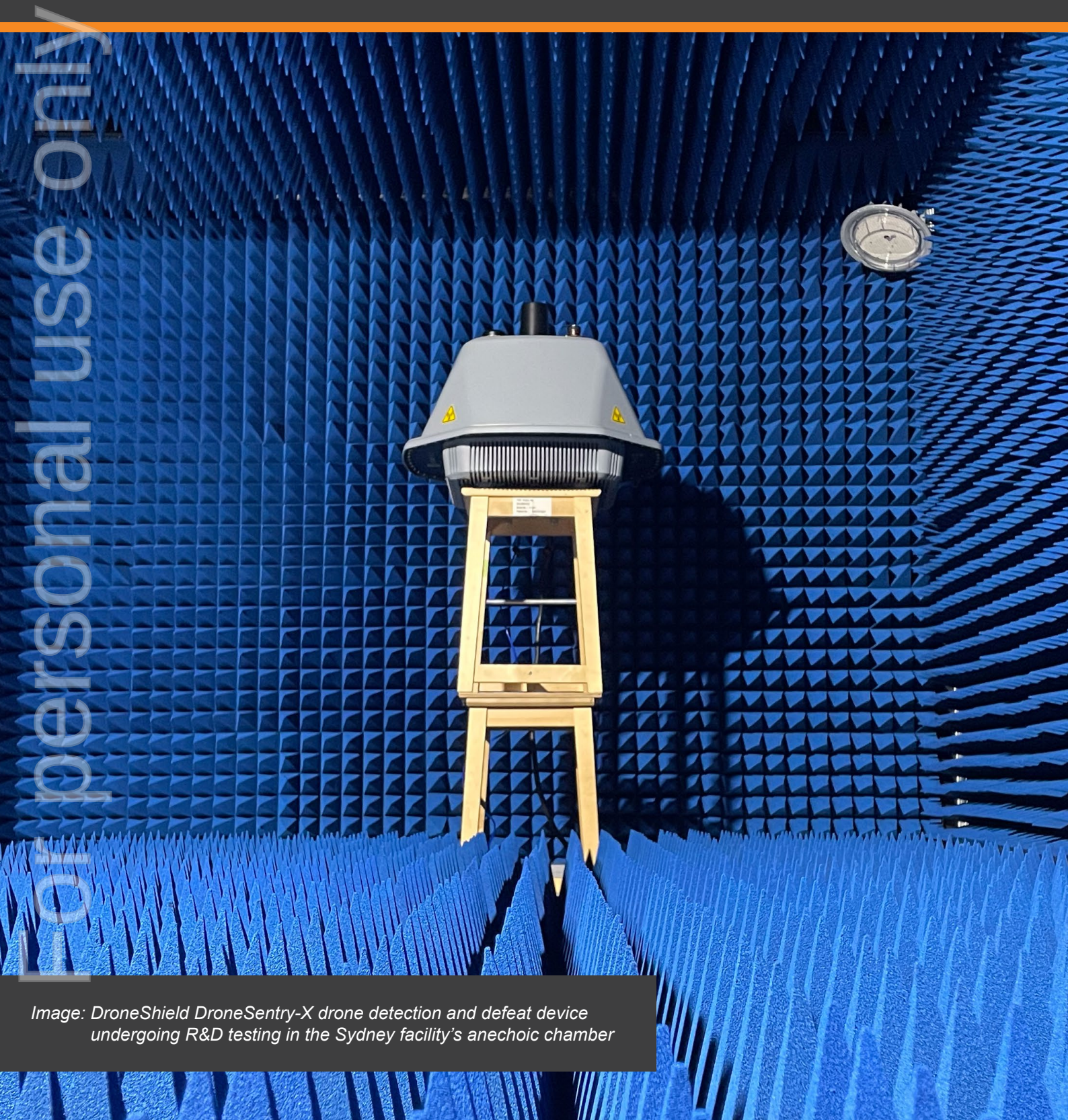
Date: 25 February 2025



DRONESHIELD

Annual Report

For the Year Ended
31 December 2024



DroneShield Limited (ASX:DRO)

ASX Release

ABN 26 608 915 859

Corporate directory	2
Chairman's review	4
About DroneShield	5
Directors' report	8
Auditor's independence declaration	26
Consolidated statement of profit or loss and other comprehensive income	27
Consolidated statement of financial position	28
Consolidated statement of changes in equity	29
Consolidated statement of cash flows	30
Notes to the consolidated financial statements	31
Consolidated entity disclosure statement	64
Directors' declaration	65
Independent auditor's report to the members of DroneShield Limited	66
Shareholder information	71

Directors

Peter James (Independent Non-Executive Chairman)
Jethro Marks (Independent Non-Executive Director)
Richard Joffe (Independent Non-Executive Director)
Simone Haslinger (Independent Non-Executive Director)
Oleg Vornik (CEO and Managing Director)

Company Secretaries

Carla Balanco
Paul Cenoz
Patricia Vanni

Registered office and
principal place of business

Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

Telephone: +61 2 9995 7280

Email: info@droneshield.com
Website: www.droneshield.com

Share register

Automatic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

Enquiries (within Australia): 1300 288 664
Enquiries (outside Australia): +61 2 9698 5414

Auditor

HLB Mann Judd Assurance (NSW) Pty Ltd
Level 5, 10 Shelley Street
Sydney NSW 2000
Australia

Solicitors

Baker & McKenzie LLP
452 Fifth Avenue
New York NY 10018
United States of America

K&L Gates
1601 K Street, NW
Washington DC 20006
United States of America

DLA Piper
Level 22 No. 1 Martin Place
Sydney NSW 2000
Australia

Steinepreis Paganin
Level 14
QV1/250 St Georges Terrace
Perth WA 6000
Australia

Bankers

Commonwealth Bank of Australia
309-315 George Street
Sydney NSW 2000
Australia

Westpac
275 Kent Street
Sydney NSW 2000
Australia

PNC Bank
1405 P Street, NW
Washington DC 20005
United States of America

Stock exchange listing

DroneShield Limited shares are listed on the Australian Securities Exchange (ASX code: DRO)

Website

<https://www.droneshield.com/>

Corporate Governance Statement

The Directors and management are committed to conducting the business of DroneShield Limited in an ethical manner and in accordance with the highest standards of corporate governance. DroneShield Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found on the Investor Relations page at <https://www.droneshield.com/investor-relations/>.

Chairman's Review

Dear Fellow Shareholders,

FY2024 for DroneShield Limited ("DroneShield" or the "Company") was another transformational year for the business, setting the ground for continued growth.

Highlights for the year included:

- Revenue of \$57.5 million – continuing the trend of the Company generating record revenues each year of its existence.
- Firmly established as a global operation with 91% of our FY2024 revenues coming from offshore.
- Strong sales cash receipts of \$56.9 million, in line with revenues.
- Transformational \$235 million raised in new capital in FY2024, positioning the Company for ongoing growth, R&D investment and appropriate inventory on hand for rapid order fulfilment.
- Strong cash and term deposit balance of \$221 million as at 31 December 2024.
- Strong sales pipeline of \$1.2 billion¹ in active project discussions for FY2025 and FY2026 opportunities (risk unweighted).
- Substantial tailwinds for the defence industry with Governments continuing to scale up their defence budgets in response to the geopolitical deterioration.

FY2024 has seen a slower rate of revenue growth, due to a number of pipeline projects taking longer to complete than expected. This was driven by a number of factors including still-nascent procurement processes for the counterdrone industry, and a greater number of approval steps for larger sized customer contracts. However, the FY2024 revenue was driven by smaller customer contracts, reducing risk by diversifying the customer base. This model also helps mitigate reliance on a few large customers, making the business more resilient to market changes. FY2023 had a \$33 million deal, while all of the FY2024 revenue was earned via smaller customer contracts, with the largest being \$13.5 million.

FY2025 is off to a strong start, including \$51.6 million of revenue already either recognised (\$18 million recognised year to date) or under committed Purchase Orders (for delivery in 2025) as of 18 February 2025 (with approximately 10 months of the year to go).

Drones and counterdrone systems continue to be used in every conflict globally, including the Ukraine war, Middle East and Latin American cartel wars. Significant non-military use cases for drones continue for the intelligence community, airports, prisons, border security, stadiums, and other facilities. Nefarious use of drones is a global and rapidly rising threat, with DroneShield providing a proven market leading suite of solutions, directly and via its network of in-country partners in 70 countries globally.

DroneShield continued to ramp up its mass production capabilities, expanding the Sydney HQ manufacturing space. The majority of the expanded space is for DroneSentry-X Mk2™ production (multi-mission vehicle/fixed site/vessel detect and defeat system), which is expected to drive significant revenue in FY2025 and beyond.

The Company is engineering-led, with 204 engineers out of 275 staff, an increase from 90 staff at the end of FY2023. This continues an ongoing focus on product development, with a significant advance in technology sophistication expected in the next generation of products, establishing the baseline of technological differentiation for years to come. The new generation of hardware is expected to be released in stages over the next several years, with the existing hardware along with software updates, driving the FY2025 revenues.

The Australian Government continues to strongly encourage the growth of the domestic defence industry. DroneShield is currently participating in the selection process for the LAND156 program in Australia (rollout of counterdrone solutions across the Australian Defence Force) as Systems Integration Partner (SIP). The results of the selection process is expected to be announced in FY2025, followed by the selection process(es) for the various project components including hardware and software. The Company has been scaling up the strategic sophistication of its Australian operation for programs like LAND156, including the visit by Hon Richard Marles, the Deputy Prime Minister and Minister for Defence.

The United States Government and military market is expected to continue to be the single largest opportunity for DroneShield, being the largest counterdrone customer in the world, and accounting for ~70% of the Company's FY2024 and FY2023 revenues. The Trump presidency is expected to be an overall positive for the Company, with an anticipated additional investment into the US border security, defence and law enforcement, as well as fast tracking of C-UxS legislation, such as enabling a greater number of Government agencies to use C-UxS equipment. DroneShield is well aligned, being one of the first Australian companies registered with the AUKUS export framework.

After being included in the ASX 300 Index in September 2024, DroneShield appointed two additional Non-Executive Directors in October 2024 - Ms Simone Haslinger, bringing capital markets expertise, and Mr Richard Joffe, with technology and strategy expertise, in Australia and North America.

In FY2024, the Company established a People, Culture and Remuneration Committee, with me serving as Chair, and an Audit and Risk Committee chaired by Mr Jethro Marks. Both committees are composed entirely of Non-Executive Directors. I would like to thank our executive team for their significant contributions during the past year.

I would also like to thank our fellow shareholders for your support and look forward to continued growth of the Company.

Peter James
Independent Non-Executive Chairman

¹ Necessarily, not all (and there can be no assurance that any) of the Company's sales opportunities will result in sales.

About DroneShield

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

DroneShield Limited is the only publicly listed company globally with pure-play exposure to the rapidly growing counterdrone sector.

History of DroneShield

Founded on 10 January 2014, the DroneShield business began as DroneShield LLC in the United States. On 4 November 2015, DroneShield Limited was incorporated in Australia for the primary purpose of listing on the ASX and engaging in the business of offering products manufactured by DroneShield globally, as well as managing and operating DroneShield’s business.

DroneShield Limited listed on the ASX on 22 June 2016, raising \$7 million on a \$20 million valuation in an oversubscribed initial public offer (“IPO”). In 2024, DroneShield raised \$235 million via share placements and a Share Purchase Plan (“SPP”).

DroneShield has grown from a small start-up to a global leader in C-UxS detection and mitigation.

Business Model and Products

Affordable aerial, ground and water-based consumer-grade drones (“UxS”) have become popular around the world, but they present unique and frequent threats to privacy, physical security and public safety in a wide variety of environments. DroneShield offers products that detect and defeat such drones. DroneShield’s distribution channels focus on third party distributors, as well as direct relationships with various key customers. With offices in Australia and the United States, DroneShield has an experienced salesforce with distribution partners across over 70 countries. The end-users of DroneShield’s products come from a diverse array of global sectors, including the following:

- defence and intelligence agencies;
- airports and other civil defence users;
- utilities such as power plants, electricity grids and gas pipelines;
- ports and other critical infrastructure asset owners;
- intelligence and national security agencies;
- prisons;
- stadiums and other public event venues and organisers;
- media production sites;
- real estate owners including hotels, commercial offices and manufacturing plants; and
- executive protection including ultra-high net worth individuals and government officials.

DroneShield offers a comprehensive solution to drone threats with a suite of detection and countermeasure products.

The main product range is as follows:

 DroneGun Tactical™	• Portable rifle shape drone disruptor, causing the drone (or swarm) to safely land, or fly back to the starting point (potentially identifying the pilot) • 7kg weight • Best-in-breed effective range • Released in early 2018
 DroneGun Mk4™	• Latest DroneGun design • Significantly deployed by US DoD, allied forces and other customers • Suitable for mobile deployments, patrols, law enforcement and special forces • Released in April 2023

 RfPatrol Mk2™	• Body-worn drone detection device • Best-in-breed detection range • Can be used with a directional accessory (DAU™) to determine direction of the threat as well as vehicle kit • Completely passive (no RF emissions) • Deployments include global military and intelligence customers • Receives quarterly software updates via a SaaS model • Mk2 version released in mid-2020
 DroneSentry™	• Integrated detect-and-defeat system • Best-in-breed detection and defeat range • Includes radiofrequency direction finders, radars and cameras in a modular manner, with an integrated DroneCannon™ drone disruptor • Utilises DroneShield proprietary DroneSentry-C2™ counterdrone software command-and-control engine • The camera includes DroneOptID™, DroneShield proprietary AI computervision software to detect and track drone targets • Successfully deployed in multiple locations globally, in full or modular forms, across military and Government customer base • Receives quarterly software updates via a SaaS model
 DroneSentry-X Mk2™	• Integrated detect-and-defeat counterdrone solution • Best-in-breed detection and defeat range • Deployable on a vehicle, ship or fixed site platforms • Existing customers include US Government agencies and other Government and military departments globally • Receives quarterly software updates via a SaaS model • Mk2 version launched in October 2023

Underpinning all DroneShield's detection products is the Company's proprietary software engine RFAI™, with quarterly software updates on a subscription basis.

The second subscription software product, DroneSentry-C2™, is the Company's Command-and-Control platform on its DroneSentry™ multi-sensor system. It is an intuitive interface with a comprehensive reporting suite, which can combine a number of customer sites deploying both DroneShield's and third-party sensor hardware. An optional additional module to DroneSentry-C2™ is DroneOptID™, the Company's optical/thermal AI-based detection engine.



Image: DroneSentry-C2™

DroneShield is presently working on a number of next generation counterdrone technologies, expected to be released throughout 2025-2027, as the drone and counterdrone technology space continues to rapidly evolve.

Artificial Intelligence R&D Defence Contracts

DroneShield is on track to successfully complete the 2-year \$10 million contract in mid FY2025 with the Australian Defence Force, and expecting to receive a larger follow up contract. It is also in the process of executing on a smaller ASCA (Advanced Strategic Capabilities Accelerator) contract with the Australian Government.

Revenue Model and Recurring Cashflows

DroneSentry™, DroneSentry-X™ and RfPatrol™ products have a recurring revenue element which it charges for RFAI™ quarterly updates to the drone libraries of the products. Over time, DroneShield expects to build a robust recurring revenue line as more products requiring library updates are sold.

DroneSentry-C2™ and DroneSentry-C2 Tactical™, the command-and-control software for DroneShield and third-party sensors, is offered on a subscription basis (via on-prem or secure cloud solution). Within that, DroneOptID™ offers a third subscription product, as an add-on to DroneSentry-C2™.

Defence and Government agency markets are typically of a recurring nature, with repeat contracts following initial successful deployments. DroneShield has received repeat customer orders globally on that basis.

Revenue Streams

The Company has 4 revenue streams:

- Hardware and shipping revenue;
- Warranty revenue;
- Subscriptions-as-a-Service (SaaS) associated with its hardware, which is expected to rise over time as a share of overall revenue; and
- Service revenue, including long term Research and Development contracts.

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of DroneShield Limited (referred to hereafter as the 'Company' or 'parent entity' or 'DroneShield') and the entities it controlled at the end of, or during, the year ended 31 December 2024.

Directors

The following persons were Directors of DroneShield Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter James	Independent Non-Executive Chairman
Jethro Marks	Independent Non-Executive Director
Richard Joffe	Independent Non-Executive Director (appointed on 9 October 2024)
Simone Haslinger	Independent Non-Executive Director (appointed on 9 October 2024)
Oleg Vornik	CEO and Managing Director

Principal activities

The principal activity of the Company is the development, commercialisation and sales of hardware and software technology for drone detection and security.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Material business risks

DroneShield is required to report on its material business risks, under the Corporations Act. There are various internal and external risks that may have a material impact on the Company's future financial performance and economic sustainability. The Company makes every effort to identify material risks and to manage these effectively.

The Board devotes time to fulfil the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.

The Company's Risk Management and Compliance Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks. The Risk Management and Compliance Policy is contained in the Corporate Governance Plan which is available on the Company's website at: <https://www.droneshield.com/investor-relations/>.

The following is a summary of material business risks that could adversely impact the Company's financial and operating performance and prospects. These risks do not represent an exhaustive list of risks the Company is exposed to, nor are they in order of significance.

Research and development and technical risk

The Company's products are the subject of continuous research and development and need to be substantially developed further in order to enable the Company to sell and subsequently support the products, and to meaningfully improve the products' usability, scalability, efficiency, 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.

Technology risk

The Company's market involves rapidly evolving products and technological change. To succeed, the Company will need to research, develop, design, manufacture, assemble, test, market and support substantial enhancements to its existing products and 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 ensure 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.

Government legislation and export approvals

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. Also, some of the Company's products are highly regulated and may be affected by regulatory changes where its suppliers are located, or where it manufactures or it sells the products.

Additionally, most of the Company's products are regulated by defence export licensing regimes, including those of Australia and the United States. Completion of sales is influenced by obtaining export licences, and will be delayed if those licences are delayed or otherwise not received.

Supply

The Company may experience delivery delays if its contract manufacturers fail to deliver products as agreed. The Company's products are manufactured by several key contract manufacturers, as well as (on a smaller scale, and for several product lines) the Company's facility. Any operational issues that impact manufacturers may affect the delivery of the Company's products. The Company depends on the contract manufacturers to adjust operations according to demand for each product to ensure no backlog in production. Risk arises from an undiversified set of key manufacturers, which may cause delays in delivery if a contracted manufacturer fails to deliver as agreed until the issue is resolved or a new contracted manufacturer is organised.

Government contracts

A portion of the Company's revenues may depend on the Company's ability to do business with the United States as well as foreign governments and their various agencies, whether directly or indirectly. Such customers may:

- 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.

Business strategy risk

The Company's growth and financial performance is dependent on its ability to successfully execute its growth strategy.

If the Company fails to execute on its business strategy, its business, financial condition and results of operations could be materially and adversely affected.

Data loss, theft or corruption

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.

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.

Intellectual property rights

A substantial part of the Company's commercial success is dependent on its ability to establish and protect its intellectual property, maintain trade secret protection, and operate without infringing third party rights. There can be no guarantee that the Company's patents are enforceable or that new patent applications will be granted in any jurisdiction. The commercial value of its 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 its intellectual property, or that any of the projects that may arise will have commercial applications. It is possible that third parties may assert intellectual property infringement, unfair competition or like claims regarding copyright, design, trade secret, patent, or other intellectual property rights. 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 the Company'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.

Counterparty risk

The Company conducts a significant proportion of its business with customers outside of Australia. Risk arises from the Company's restricted ability and the cost of recovering payments in foreign jurisdictions. The Company mitigates this risk by generally requiring substantial or full payment prior to shipment of goods (with some exceptions of highly trusted customers, such as United States Government agencies). However, late payments, cancelled orders and bad debts may still occur.

Product liability

When developing and manufacturing new products, defects may arise in the Company's initial releases of the products. Defects could expose the Company to product liability claims or litigation, resulting in monetary damages being awarded against the Company. The Company uses contractual clauses to limit such risk; however, not all customers accept these standard clauses. Additionally, the Company has obtained insurance to limit this risk; however, liability from a defect could exceed the Company's insurance coverage.

Litigation

The Company is exposed to possible litigation risks including, but not limited to, intellectual property infringement claims, vendor and customer contractual and common law claims, environmental claims, occupational health and safety claims, and employee claims. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

Disputes

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.

Strategies

There are no limits on strategies that the Company may pursue. The strategy may evolve over time for reasons including but not limited to, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice. As a result, the strategy, approaches, markets and products at present may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company in the future. Further, a change in strategy may involve material and as yet unanticipated risks.

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.

Additionally, 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, pandemics, political instability, or other illegal acts.

Future profitability

The Company's business requires significant expenditure on marketing, business development and personnel, and substantial capital investment in production facilities.

Accordingly, the Company may not reach and maintain profitability and, to the extent such expenditure and investment continue, may suffer a shortage of working capital.

Foreign exchange

The Company will be operating in a variety of jurisdictions (both its customer and its supply chain), including the United States and Australia. Consequently, fluctuations 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 United States dollar (USD) relative to the Australian dollar (AUD) 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 most of its products. The Company's expenditure is mostly a mixture of AUD and USD.

Insurance coverage

The Company faces various risks in conducting its business and may lack or may not be reasonably able to obtain adequate insurance coverage. The Company has arranged and maintains insurance coverage for its employees (such as health insurance policies for some of its overseas employees, travel insurance, and workers compensation), public liability, professional indemnity, cyber liability, product liability, motor vehicle, marine cargo, Directors and officers, and general liability covering office and contents; however, it does not currently maintain intellectual property or business interruption insurance. The Company will continue to 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, including a material adverse effect on the business, financial condition and results of the Company. Additionally, any claim may cause the Company's premiums to rise or the Company to be uninsurable after the relevant policy period.

Accounting standards and tax laws

The Company operates in multiple jurisdictions with varied tax and reporting regimes. 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.

Additional requirements for capital

The current funds held by the Company 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 to effectively implement its business and operations plans, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, or 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. Any additional finance may not 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.

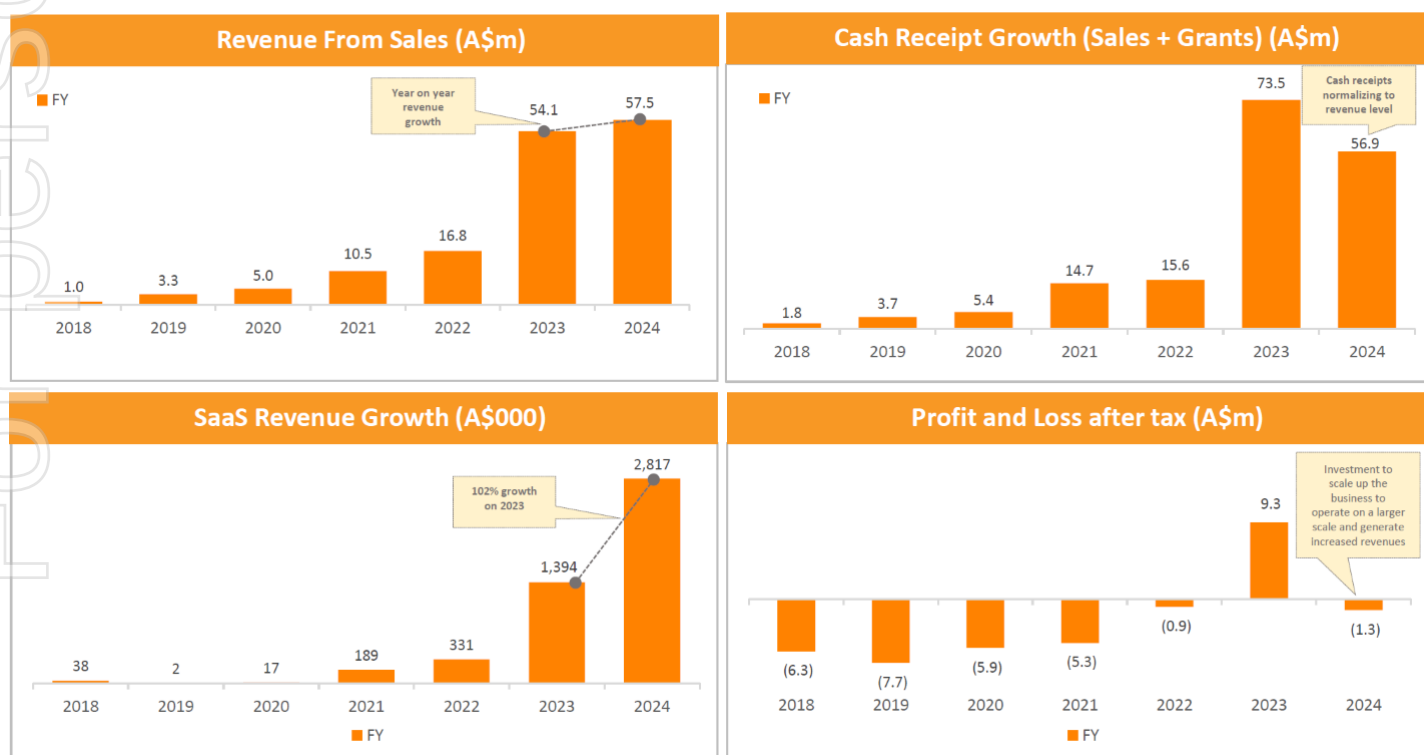
Review of operations and financial results

DroneShield has demonstrated significant growth, with revenue from sales growing from \$1.2 million in FY2018, to \$57.5 million in FY2024. The Company has also demonstrated substantial growth in both its cash receipts, and its SaaS revenue base, as it scaled up its operations and secured several pivotal customer contracts with major strategic customers.

Key Performance and Positioning Highlights for FY2024 include:

- Record Revenue: DroneShield achieved annual revenues of \$57.5 million, with a record pipeline of \$1.2 billion⁽¹⁾.
- Strong start to 2025, including \$51.6 million of revenue already either received or under committed Purchase Orders (for delivery in 2025) as of end of 18 February 2025 (with substantial majority of the year to go).
- Strategic Contract Wins: The Company secured material sales orders totalling \$39.5 million from strategically significant United States and European custodians, showcasing trust in our solutions and our ability to deliver consistent value.
- 2024 SaaS revenues of \$2.8 million, up 100% vs 2023 (\$1.4 million).
- Global Expansion: DroneShield achieved significant progress in key markets across Asia-Pacific, Europe, and the US, strengthening its growing influence, and substantially expanding and diversifying its sales pipeline. Investments in global expansion have already delivered early wins in FY2025, highlighted by a \$9.7 million Latin American contract and \$11.8 million Asia Pacific contract, secured in January 2025.
- The business achievements have also contributed to the share price growth of 96% from 37 cents as at 31 December 2023 to 72.5 cents as at 20 February 2025.

(1) Necessarily, not all (and there can be no assurance that any) of the Company's sales opportunities will result in sales.



Additional operational highlights during the year include:

- Appointment of several high-profile Australian defence and Governance strategists to serve as executives and in advisory roles.
- DroneShield entered the S&P/ASX 300 Index in September 2024, reflecting the Company's growth.
- The NATO Framework Agreement was signed, which is the first procurement framework agreement for C-UAS in NATO history.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have been discussed where appropriate in the operating and financial review.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Peter James
Title:	Independent Non-Executive Chairman
Qualifications:	BA degree with Majors in Business and Computer Science Fellow of the Australian Institute of Company Directors Fellow of the Australian Computer Society
Experience and expertise:	Mr. James has over 30 years' experience in the Technology, Telecommunications and Media Industries, and has extensive experience as Chair, Non-Executive Director and Chief Executive Officer across a range of publicly listed and private companies. Mr. James is an experienced business leader with significant strategic and operational expertise. Mr. James joined the Board of DroneShield on 1 April 2016.
Other current directorships:	Macquarie Technology Group (ASX:MAQ)
Former directorships (last 3 years):	Ansarada Group (ASX:AND), Nearmap (ASX:NEA), Halo Food Co. (ASX:HLF)
Special responsibilities:	Chairman of People, Culture and Remuneration Committee, member of Audit and Risk Committee
Interests in shares:	935,345 fully paid ordinary shares
Interests in options:	3,000,000 options

Name:	Jethro Marks
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Commerce (Honours), GAICD
Experience and expertise:	Mr. Marks is a Sydney-based Chief Executive Officer (CEO) and co-founder of The Nile Group, an eCommerce retail, services, logistics and outsourcing business. Over 17 years Mr. Marks has led, and continuously grown, the business at the forefront of digital commerce, marketing and international logistics, while competing with the largest retailers globally. Mr. Marks brings to the Board extensive commercial experience in successfully scaling a multinational business. The Nile Group's global supply chain and award-winning logistics capability has extended to most consumer goods categories in multiple countries, and today carries 32 million products. This capability has extended to provisioning international logistics support to multinational brands and technology companies Mr. Marks joined the Board on 16 January 2020.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Audit and Risk Committee, member of People, Culture and Remuneration Committee
Interests in shares:	None
Interests in options:	1,500,000 options

Name:	Richard Joffe
Title:	Independent Non-Executive Director
Qualifications:	Business Management degree from Ivey Business School at Western University, Canada
Experience and expertise:	Mr. Joffe brings significant experience in technology, strategy and rapid scaling globally and has a successful track record in the United States of founding and building technology-based companies across a range of industries. Mr. Joffe moved from San Francisco to Sydney in 2019 and is currently the Founder and CEO of Honey Insurance which launched in 2021 and has been rated the 6th fastest growing technology company in Australia. Mr. Joffe commenced his business career as a consultant with McKinsey and an investment banker with Morgan Stanley, both focused on the technology sector. Mr. Joffe joined the Board on 9 October 2024.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of People, Culture and Remuneration Committee, member of Audit and Risk Committee
Interests in shares:	None
Interests in options:	None
Name:	Simone Haslinger
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Commerce and Bachelor of Laws from University of New South Wales
Experience and expertise:	Ms. Haslinger brings 20 years' investment banking experience, where she provided strategic and capital advice to a diverse range of clients. Ms. Haslinger's most recent role was Co-Head of Equity Capital Markets (Australia) for J.P. Morgan, and she was also previously an Equity Capital Markets executive at Deutsche Bank. Ms. Haslinger joined the Board on 9 October 2024.
Other current directorships:	National Storage REIT (ASX:NSR)
Former directorships (last 3 years):	None
Special responsibilities:	Member of People, Culture and Remuneration Committee, member of Audit and Risk Committee
Interests in shares:	None
Interests in options:	None
Name:	Oleg Vornik
Title:	CEO and Managing Director
Qualifications:	BSc (Mathematics) and BCom (Hons) from the University of Canterbury, New Zealand
Experience and expertise:	Mr. Vornik is an experienced senior executive with previous roles at the Royal Bank of Canada, Brookfield, Deutsche Bank and ABN AMRO. Prior to becoming the Chief Executive Officer (CEO) of DroneShield, Mr. Vornik was its Chief Financial Officer (CFO). Mr. Vornik has completed a business program with Columbia University in New York. After co-leading the Company in the role of the CFO for over a year, Mr. Vornik was appointed as the CEO and Managing Director of DroneShield on 24 January 2017.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	15,000,000 options

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretaries

Carla Balanco, Paul Cenoz and Patricia Vanni are the Joint Company Secretaries of the Company.

Mrs. Balanco is a member of Chartered Accountants Australia & New Zealand (CA ANZ). She holds an Honours in Accounting from the University of Johannesburg and an Honours in Accounting Science from the University of South Africa. Mrs. Balanco started her career working for Chartered firms Crowe Horwath and HLB Mann Judd in the audit division. She moved on from Chartered to gain experience working in Commercial and Business Development roles. Since joining DroneShield in 2018, she has spearheaded improvements to critical systems and internal controls and has been instrumental in scaling the Company's financial management systems. Today, as CFO and Joint Company Secretary, Mrs. Balanco oversees statutory reporting, management reporting, payroll, treasury, administration, and compliance for the global DroneShield Group of companies. Mrs. Balanco was selected as a finalist in the 2021 ADM's Women in Defence Awards and 2020 Australian Defence Industry Awards.

Mr. Cenoz joined DroneShield in 2023. He is admitted to practice law in California and New South Wales (NSW). Mr. Cenoz previously worked as a solicitor with MurdockCheng Legal Practice in Melbourne, and as an attorney with Cox Wootton Lerner in Los Angeles. Prior to DroneShield, he was Chief Operating Officer (COO) and General Counsel for OSINT Combine, facilitating a successful exit to Alpine Software Group. In 2014, Mr. Cenoz co-founded Morning Consult, a market research and media company in Washington, DC. After moving to Australia, he co-founded the North American Australian Lawyers Alliance (NAALA) in February 2019, an organisation focused on creating a community to support strong ties between North America and Australia.

Ms. Vanni of Automic Group joined DroneShield as Joint Company Secretary, effective 18 December 2024. Ms. Vanni is a qualified lawyer with more than 20 years' professional experience including corporate governance, company secretarial services for ASX listed companies as well as mergers and acquisitions, project finance, contracts and compliance. Ms. Vanni holds a Bachelor of Law and is admitted to practice in both Victoria, Australia and Brazil. Ms. Vanni is also an Affiliate of the Governance Institute of Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2024, and the number of meetings attended by each Director were:

	Full Board		People, Culture and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter James	14	14	2	2	1	1
Jethro Marks	14	14	2	2	1	1
Richard Joffe	3	3	2	2	-	-
Simone Haslinger	3	3	2	2	-	-
Oleg Vornik ¹	14	14	2	2	1	1

Held: represents the number of meetings held during the time the Director held office.

(1) Oleg Vornik attended the People, Culture and Remuneration Committee and Audit and Risk Committee meetings as an observer.

Options

Option class	Grant date	Expiry date	Exercise price	Number of options
Y	11/01/2022 - 19/01/2022	12/01/2027	\$0.25	750,000
AA	17/06/2022 - 03/08/2022	17/06/2025	\$0.30	325,000
AB	22/07/2022	25/07/2025	\$0.20	500,000
AC	18/04/2023 - 20/04/2023	20/04/2026	\$0.35	515,000
AE	03/11/2023	03/11/2026	\$0.40	200,000
AG	14/02/2024 - 15/02/2024	16/02/2027	\$0.76	519,000
AH	26/03/2024	28/03/2027	\$0.80	20,000
Performance options 2024	15/01/2024 - 17/12/2024	29/04/2027 - 31/12/2029	\$0.00	46,405,000
				49,234,000

Shares issued on the exercise of options

Option class	Grant date	Exercise price	Number of shares issued
W	22/06/2021	\$0.20	450,000
Y	05/01/2022	\$0.25	100,000
V	27/05/2021	\$0.25	5,000,000
Performance options 2023	18/04/2023 - 20/04/2023	\$0.00	700,000
AA	16/06/2022 - 03/08/2022	\$0.30	175,000
AC	18/04/2023 - 19/04/2023	\$0.35	1,713,705
AD	12/07/2023	\$0.30	100,000
AF	17/01/2024	\$0.45	3,674,380
			11,913,085

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of HLB Mann Judd Assurance (NSW) Pty Ltd

There are no officers of the Company who are former partners of HLB Mann Judd Assurance (NSW) Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

2024 Remuneration report (audited)

1. Key Management Personnel	Page 17
2. People, Culture and Remuneration Committee	Page 17
3. Executive Remuneration Framework	Page 18
4. Non-Executive Director Remuneration	Page 20
5. Statutory KMP remuneration	Page 21

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2021.

1. Key Management Personnel

This Remuneration Report details DroneShield's remuneration framework and outcomes for its Key Management Personnel (KMP), responsible for overseeing the planning, direction and control of DroneShield's operations. At DroneShield, KMP consists of the Directors (including the Chief Executive Officer), and the Chief Financial Officer.

Name	Position	Effective date
Non-executive Directors		
Peter James	Independent Non-Executive Chairman	- Appointed as Independent Non-Executive Chairman 1 April 2016 - Served as Executive Chairman from 2 December 2016 - Returned to Independent Non-Executive Chairman 24 January 2017
Jethro Marks	Independent Non-Executive Director	- Appointed 16 January 2020
Richard Joffe	Independent Non-Executive Director	- Appointed 9 October 2024
Simone Haslinger	Independent Non-Executive Director	- Appointed 9 October 2024
Executive Director		
Oleg Vornik	Executive Director, Managing Director and CEO	- Appointed as CEO and Managing Director 24 January 2017
Other Executive		
Carla Balanco	Chief Financial Officer and Joint Company Secretary	- Appointed as CFO 5 August 2019

2. People, Culture and Remuneration Committee

During 2024, the Board established a dedicated People, Culture and Remuneration Committee (Committee), in addition to the establishment of an Audit and Risk Committee. This Committee comprises only of Non-Executive Directors and has been delegated the authority to oversee and make recommendations on remuneration matters. The People, Culture and Remuneration Committee Charter is included within Schedule 5 of DroneShield's Corporate Governance Plan, which is available on the DroneShield website (<https://www.droneshield.com/investor-relations>).

The Committee members include:

Peter James	Independent Non-Executive	Committee Chair
Jethro Marks	Independent Non-Executive	Committee Member
Richard Joffe	Independent Non-Executive	Committee Member
Simone Haslinger	Independent Non-Executive	Committee Member

The primary purpose of the People, Culture and Remuneration Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

- reviewing and approving the People, Culture and Remuneration Policy to enable DroneShield to attract and retain executives and Directors who will create value for shareholders;
- ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- recommending to the Board the remuneration of Executive Directors;
- fairly and responsibly rewarding executives having regard to the performance of DroneShield, the performance of the executives and the prevailing remuneration expectations in the market;
- reviewing DroneShield's recruitment, retention and termination policies and procedures for senior management;
- reviewing and approving the remuneration of direct reports to the Managing Director, and as appropriate other senior executives;
- reviewing and approving any equity-based plans and other incentive schemes; and
- assisting the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board on matters relating to group-wide people and culture strategy and talent management.

The People, Culture and Remuneration Committee is committed to understanding stakeholder views and aligning its remuneration practices with the expectations of ASX 300 companies, while still appropriately aligning remuneration with DroneShield's growth strategy. In early 2025, representatives of the Committee offered and undertook engagement opportunities with stakeholders to understand their views when making remuneration adjustments.

The Committee is committed to regularly meeting with investors and stakeholders to understand their views, and to seek their feedback, with respect to remuneration and governance.

3. Executive Remuneration Framework

DroneShield's reward policy reflects the benefits of aligning executive remuneration with shareholder interests and to retain appropriately qualified executive talent. The main principles of the policy are:

- Remuneration is reasonable and fair, taking into account DroneShield's obligations at law, the competitive market in which DroneShield operates and the relative size and scale of its business;
- Individual reward should be linked to clearly specialised performance targets which should be aligned to the Company's short term and long-term performance objectives; and
- Executives should be rewarded for both financial and non-financial performance.

3.1 Fixed Remuneration

The fixed remuneration framework is designed to be market-competitive, enabling DroneShield to attract, retain, and motivate high-calibre executives who contribute to the execution of the Company's strategy and overall success.

DroneShield operates in a tight labour market within a niche and rapidly growing industry. Retention of KMP and leadership stability is critical as DroneShield continues its growth trajectory. KMP have the relationships and experience that DroneShield requires to execute on its growth strategy. There is a scarcity of local talent with the necessary experience to manage the complexity of DroneShield, and compensation structures for international peers exceed local levels.

The components of fixed remuneration include base salary and exclude superannuation. Fixed remuneration is reviewed on an annual basis and is set in alignment with the global market DroneShield operates in. It takes into account key factors including expertise, role responsibilities, internal alignment and evolving market conditions. This remuneration component recognises individual achievements and contributions to DroneShield's overall success.

The following table provides the annual fixed remuneration for Executive KMP from FY2023 to FY2025:

Executive KMP	Position	FY2025 ¹	FY2024	FY2023
Oleg Vornik	Executive Director, Managing Director and CEO	\$850,000	\$663,333 ²	\$330,000
Carla Balanco	CFO and Joint Company Secretary	\$475,000	\$250,000	\$160,000 ³

(1) Set following a review against market comparables locally and internationally.

(2) Oleg Vornik's fixed annual remuneration increased to \$400,000 plus Superannuation on 1 January 2024 and on 1 May 2024, to \$795,000 plus Superannuation.

(3) Carla Balanco's FY2023 fixed annual remuneration of \$160,000 covered part time employment of 4 days per week.

3.2 Short Term Incentive (STI) plan

Performance-based incentives align with long-term business success, promoting shareholder value creation. Metrics are aligned with annual company priorities and DroneShield's long-term strategy execution.

FY2024

The CEO was awarded an incentive payment of \$1.4 million, in STI, reflecting exceptional performance. Mr. Vornik successfully led the Company to FY2023 profitability and played a key role in the Company's inclusion in the All Ordinaries (All ORDS) and ASX 300 indices. These milestones marked a transformative period for the business, evolving from a foundational team of 11 employees with \$84,000 in revenue for FY2016 to 275 staff currently, achieving \$57.5 million in revenue for FY2024, continuing the trend of year-on-year revenue growth for the Company, noting DroneShield is now firmly established as a global operation with 91% of our FY2024 revenues coming from offshore, selling into 25 countries and staff across most continents.

In 2024, Mr. Vornik focused on driving expansion and preparing the Company for its next phase of growth. The primary goal was to enhance the engineering team, accelerating the development of market-leading, next-generation products. DroneShield's engineering talent grew from 90 in February 2024 to 204 currently. Additionally, he expanded the sales efforts by recruiting local sales teams in Europe and Latin America (LATAM), who began contributing to revenue shortly after joining.

These achievements have also contributed to the share price growth of 96% from 37 cents as at 31 December 2023 to 72.5 cents as at 20 February 2025.

With a robust \$1.2 billion¹ sales pipeline, up from \$400 million in FY2023, Mr Vornik's efforts in raising \$235 million in FY2024 has set a strong foundation for the ongoing growth of the Company, positioning DroneShield for sustained success.

The CFO was recognised with an incentive of \$250,000 for her exemplary performance in managing the complexities of scaling a global business. She navigated international reporting and tax regulations and identified key initiatives, including the initiation of an ERP implementation, to strengthen the Company's structural foundations and ensure its ability to sustain rapid global expansion.

(1) — Necessarily, not all (and there can be no assurance that any) of the Company's sales opportunities will result in sales.

FY2025

For FY2025, a challenging revenue growth metric has been set based on business conditions, and with reference to current market expectations. This revenue growth metric will align KMP remuneration with business growth. In addition, a portion of the STI payment will be subject to the business delivering positive EBITDA, recognising the business' trajectory towards sustainable profitability.

The maximum STI payment will be capped at 1x Base Salary (\$850,000) for the CEO and \$225,000 for the CFO and would be paid in cash.

Following the conclusion of FY2025, the STI award is determined through a quantitative assessment of achievement against the revenue growth metric and EBITDA. Revenue and EBITDA will be audited as part of the year-ended 31 December 2025 audit process.

An Executive KMP who departs DroneShield prior to the STI payment date forfeits any awards for the performance period, unless otherwise determined by the Board.

Clawback conditions apply for serious misconduct, fraud and unlawful behaviour.

3.3 Long -Term Incentive (LTI) plan

Inclusion of an LTI into the remuneration framework, aligns KMP priorities with long-term shareholder value, by linking rewards to sustainable performance.

The LTI comprises 3-year Performance Options, which vest and convert to shares upon achieving \$200 million in revenue or cash receipts within a 12-month rolling period (verified by the Company's auditor). This revenue target represents approximately 3.5x growth on FY2024 revenue (in itself an all-time revenue record for the Company). Achieving the incentive requires significant scaling from a small to a large business, overcoming global challenges across all business functions with thoughtful strategic planning and execution. This includes but is not limited to refining financial management, expanding operational capacity, enhancing human resources processes, complying with complex, highly regulatory requirements, managing market expansion, aligning with strategic goals, adopting appropriate technology, providing effective leadership, ensuring quality customer service, and staying ahead of competition. A concerted effort to address each of these areas holistically is critical for a successful scale and achieving the incentive.

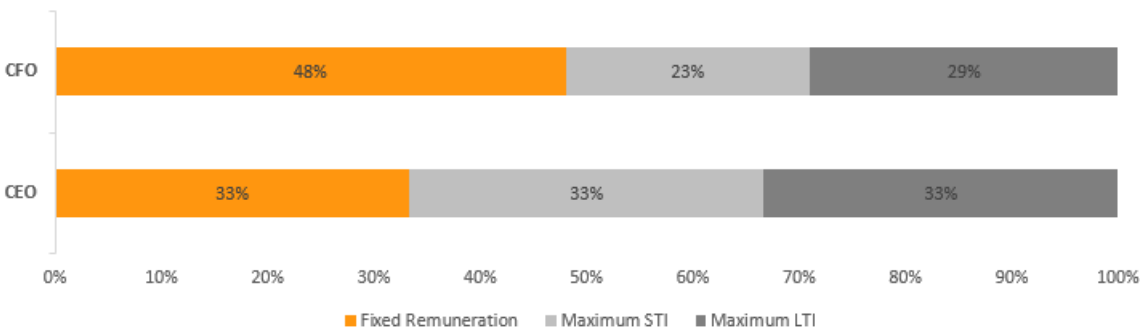
The maximum LTI opportunity will be valued 1x Base Salary (\$850,000) for the CEO. The number of Performance Options will be calculated based on the Company's share price at the 5-day VWAP prior to the date of the AGM. The maximum LTI opportunity for the CFO comprises of 450,000 Performance Options.

Clawback conditions apply for serious misconduct, fraud and unlawful behaviour.

Shareholder approval will be sought, for the issue of the Performance Options to the CEO at the upcoming Annual General Meeting.

3.4 Total Remuneration Mix

The maximum total remuneration opportunity available for Executive KMP in FY2025 comprises fixed remuneration (plus superannuation) and a Short-Term Incentive (STI) and Long-Term Incentive (LTI) that aligns pay with performance and shareholder outcomes. The graph below illustrates the total FY2025 Executive KMP maximum remuneration mix:



4. Non-Executive Director Remuneration

The People, Culture and Remuneration Committee believes that competitive remuneration attracts and retains high-calibre directors. The fees of Non-Executive Directors have increased given the increased complexity of the business and responsibilities of Non-Executive Directors.

Reflecting DroneShield's inclusion into the ASX 300 index, there has been a shift from issuing equity to directors with performance conditions attached to a fixed cash only remuneration structure. DroneShield's historical practice of Director compensation that included equity with performance conditions and/or options reflected DroneShield's earlier stage of growth and has been discontinued. The shift to cash compensation only for Non-Executive Directors reflects governance expectations for ASX 300 companies.

In accordance with the terms of the Company's Constitution, the maximum aggregate remuneration that may be paid to non-executive Directors of the Company has been set at A\$500,000, as determined by the Board of the Company prior to the first Annual General Meeting of the Company. Shareholder approval must be obtained in relation to any change to the overall limit set for non-executive directors' fees.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

From 1 August 2024, the fee policy below for the Board and Committees took effect.

Non-Executive Director type

Board

Chair	\$195,000
Member	\$150,000 ¹

(1) Simone Haslinger and Richard Joffe each recently joined the Board on a fixed remuneration of \$75,000 per annum in light of the current approved maximum total remuneration of Non-Executive Directors, which was set when the board size was 3 members. It is intended that these fees will increase to \$150,000 each, subject to shareholder approval of an increase in the Non-Executive Director fee pool, at the upcoming Annual General Meeting. There are no additional Committee fees.

The following table details the fees paid to Non-Executive Directors in FY2024. Compensation is provided in cash and encompass compensation for both Board and sub-Committee memberships. All fees are inclusive of superannuation. Non-Executive Directors are not entitled to any payment or benefit on retirement or resignation from the Board.

Directors do not receive additional compensation for participation in, or chairing of, sub-Committees of the Board.

Non-Executive Director

Financial Year

Board fees

Peter James	2024	\$145,415
	2023	\$110,000
Jethro Marks	2024	\$91,667
	2023	\$50,000
Richard Joffe ¹	2024	\$17,188
	2023	-
Simone Haslinger ¹	2024	\$17,188
	2023	-

(1) Simone Haslinger and Richard Joffe were appointed to the Board on 9 October 2024.

5. Statutory KMP remuneration

Shareholdings of KMP

The number of shares in the Company held during the financial year by each Director of DroneShield and other KMP, including their personally related entities, are set out in the following table:

31 December 2024	Opening balance (number)	Received on exercise of options (number)	Sold (a) (number)	Purchased (b) (number)	Balance at 31 December 2024 (number)
Non-Executive Directors					
Peter James	6,532,030	-	(5,612,008)	15,323	935,345
Jethro Marks	1,292,901	-	(1,292,901)	-	-
Executive Director					
Oleg Vornik	10,456,038	-	(10,456,038)	-	-
KMP					
Carla Balanco	9,200,000	-	(9,200,000)	-	-
	27,480,969	-	(26,560,947)	15,323	935,345

(a) Shares sold during the year were substantially to cover tax liability associated with vesting of DroneShield options as well as, in the case of Oleg Vornik and Carla Balanco, to purchase family homes.

(b) Shares purchased as part of Share Purchase Plan held in May 2024.

	Opening balance (number)	Received on exercise of options ^(a) (number)	Sold ^(b) (number)	Purchased ^(c) (number)	Balance at 31 December 2023 (number)
31 December 2023					
Non-Executive Directors					
Peter James	9,301,688	5,132,500	(8,002,158)	100,000	6,532,030
Jethro Marks	666,666	1,083,334	(457,099)	-	1,292,901
Executive Director					
Oleg Vornik	15,310,356	10,250,000	(15,204,318)	100,000	10,456,038
KMP					
Carla Balanco	8,450,000	2,750,000	(2,000,000)	-	9,200,000
	33,728,710	19,215,834	(25,663,575)	200,000	27,480,969

(a) 715,834 options exercised during the year were exercised at \$0.65 per share, using a limited recourse loan provided by the Company. The loan is interest free and due for repayment by 18 March 2027. The loan is non-recourse except against the shares issued on exercise of the options and are held by the Directors and KMP. 18,500,000 options exercised were Performance Options, which vested during the year.

(b) Shares sold during the year were substantially to cover tax liability associated with vesting of DroneShield options.

(c) Shares purchased as part of Share Purchase Plan held in March 2023.

Share options held by KMP

	Opening balance (number)	Granted as compensa- tion ^(a) (number)	Options lapsed (number)	Options exercised (number)	Balance at 31 December 2024 (number)	Vested options (number)	Unvested options (number)
31 December 2024							
Non-Executive Directors							
Peter James	-	3,000,000	-	-	3,000,000	-	3,000,000
Jethro Marks	-	1,500,000	-	-	1,500,000	-	1,500,000
Executive Director							
Oleg Vornik	-	15,000,000	-	-	15,000,000	-	15,000,000
KMP							
Carla Balanco	-	1,500,000	-	-	1,500,000	-	1,500,000
	-	21,000,000	-	-	21,000,000	-	21,000,000

(a) Performance Options are subject to the following vesting conditions being satisfied: DroneShield achieving \$200,000,000 of revenue or customer cash receipts; or automatic vesting in the event that DroneShield is subject to a change of control transaction.

	Opening balance (number)	Granted as compensa- tion (number)	Options lapsed (number)	Options exercised ^(a) (number)	Balance at 31 December 2023 (number)	Vested options (number)	Unvested options (number)
31 December 2023							
Non-Executive Directors							
Peter James	5,132,500	-	-	(5,132,500)	-	-	-
Jethro Marks	1,083,334	-	-	(1,083,334)	-	-	-
Executive Director							
Oleg Vornik	10,250,000	-	-	(10,250,000)	-	-	-
KMP							
Carla Balanco	2,750,000	-	-	(2,750,000)	-	-	-
	19,215,834	-	-	(19,215,834)	-	-	-

- (a) 715,834 options exercised during the year were exercised at \$0.65 per share, using a limited recourse loan provided by the Company. The loan is interest free and due for repayment by 18 March 2027. The loan is non-recourse except against the shares issued on exercise of the options and are held by the Directors and KMP. 18,500,000 options exercised were Performance Options, which vested during the year.

Share-based payment remuneration granted, exercised, vested and lapsed

	2024		2023	
	Value granted \$	Value exercised \$	Value granted \$	Value exercised \$
Non-Executive Directors				
Peter James	1,170,000	-	-	1,188,515
Jethro Marks	615,000	-	-	237,429
Executive Director				
Oleg Vornik	6,150,000	-	-	2,375,499
KMP				
Carla Balanco	615,000	-	-	501,952
	8,550,000	-	-	4,303,395

(a) The value at grant date is calculated using the Black-Scholes Model.

(b) The value of the options exercised is calculated using the Black-Scholes Model.

Terms and conditions of the share-based payment arrangements

Class of Options issued during 2024	Number of Options	Grant date	Vesting date	Expiry date	Exercise price (\$)	Value per option at grant date (\$)	Performance achieved	% vested during 2024
Performance options	1,500,000	15/01/2024	19/01/2029	19/01/2029	-	0.41	No	-
	16,500,000	17/01/2024	19/01/2029	19/01/2029	-	0.41	No	-
	3,000,000	18/01/2024	19/01/2029	19/01/2029	-	0.39	No	-

There were no options granted to Directors or KMP during 2023.

Remuneration details of KMP

31 December 2024	Salary and fees \$	Performance bonus \$	Movement in employee provisions \$	Post-employment benefits \$	Share-based payments (options) \$	Total 2024 \$
Non-Executive Directors						
Peter James	145,416	-	-	-	222,735	368,151
Jethro Marks	91,667	-	-	-	117,351	209,018
Richard Joffe	17,188	-	-	-	-	17,188
Simone Haslinger	17,188	-	-	-	-	17,188
Executive Director						
Oleg Vornik	663,333	1,415,000	102,808	28,666	1,173,510	3,383,317
KMP						
Carla Balanco	251,155	249,409	17,395	28,665	117,895	664,519
	1,185,947	1,664,409	120,203	57,331	1,631,491	4,659,381

31 December 2023	Salary and fees \$	Performance bonus \$	Movement in employee provisions \$	Post-employment benefits \$	Share-based payments (options) \$	Total 2023 \$
Non-Executive Directors						
Peter James	110,000	-	-	-	1,015,591	1,125,591
Jethro Marks	50,000	-	-	-	203,007	253,007
Executive Director						
Oleg Vornik	330,000	495,000	(21,193)	26,346	2,030,071	2,860,224
KMP						
Carla Balanco	121,011	195,754	28,095	16,925	475,000	836,785
	611,011	690,754	6,902	43,271	3,723,669	5,075,607

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed 2024	Fixed 2023	Performance 2024	Performance 2023
Non-Executive Directors				
Peter James	39%	10%	61%	90%
Jethro Marks	44%	20%	56%	80%
Richard Joffe	100%	N/A	0%	N/A
Simone Haslinger	100%	N/A	0%	N/A
Executive Director				
Oleg Vornik	23%	12%	77%	88%
KMP				
Carla Balanco	45%	20%	55%	80%

The performance component of remuneration received by Directors and KMP relates to share options and cash performance bonus. The issue of share options to Directors is subject to shareholder approval. Remuneration in the form of DroneShield share options to Non-Executive Directors has been discontinued as mentioned on page 20 under 4. Non-Executive Director Remuneration.

The employment agreement of the Executive Director during the year included the following key terms:

Name	Positions held during the year	Key terms of employment agreement
Oleg Vornik	CEO and Managing Director	- Remuneration of \$400,000 p.a. plus superannuation from 1 January 2024 to 30 April 2024 and \$795,000p.a. plus superannuation from 1 May 2024 to 31 December 2024 - Eligible to participate in short term incentive program - Eligible to participate in long term incentive program - A notice period of 3 months, except in defined circumstances - No fixed term

Advisory Board remuneration

DroneShield established a Strategic Advisory Board in 2024, incurring member fees totalling \$33,524 during FY2024. No Strategic Advisory Board was in place during FY2023.

Remuneration report (conclusion)

This concludes the remuneration report, which has been audited.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter James
Independent Non-Executive Chairman

25 February 2025
Sydney NSW

Auditor's Independence Declaration

To the directors of DroneShield Limited:

As lead auditor for the audit of the consolidated financial report of DroneShield Limited for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to DroneShield Limited and the entities it controlled during the year.

Sydney, NSW
25 February 2025



N J Guest
Director

DroneShield Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2024



	Note	Consolidated 2024 \$'000	2023 \$'000
Revenue	5	57,529	54,089
Other income		482	115
Interest revenue calculated using the effective interest method		5,913	974
Expenses			
Cost of goods sold		(16,284)	(15,137)
Product development expense		(21,815)	(11,060)
Sales and customer service expense		(11,131)	(11,663)
Corporate and support expense		(15,123)	(7,274)
Corporate governance expense		(2,031)	(1,083)
Share-based payment expense	30	(4,647)	(5,274)
Net foreign exchange gains/(losses)		780	(487)
Finance costs		(459)	(32)
(Loss)/profit before income tax benefit	6	(6,786)	3,168
Income tax benefit	7	5,466	6,168
(Loss)/profit after income tax benefit for the year attributable to the owners of DroneShield Limited		(1,320)	9,336
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	19	976	1,061
Other comprehensive income for the year, net of tax		976	1,061
Total comprehensive (loss)/income for the year attributable to the owners of DroneShield Limited		(344)	10,397
		\$	\$
Basic earnings per share	8	(0.002)	0.020
Diluted earnings per share	8	(0.002)	0.020

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

DroneShield Limited
Consolidated statement of financial position
As at 31 December 2024



	Note	Consolidated 2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	62,620	56,696
Trade and other receivables	10	31,352	8,858
Contract assets		-	86
Inventories	11	66,678	18,580
Income tax receivable		382	349
Term and other deposits		156,869	75
Total current assets		317,901	84,644
Non-current assets			
Property, plant and equipment	12	9,555	3,968
Right-of-use assets	13	7,099	1,926
Intangible assets	14	6,419	34
Deferred tax asset	7	13,739	5,362
Term and other deposits		1,166	1,118
Total non-current assets		37,978	12,408
Total assets		355,879	97,052
Liabilities			
Current liabilities			
Trade and other payables	15	4,717	4,264
Contract liabilities	16	20,649	7,720
Lease liabilities	17	373	451
Income tax payable		799	370
Employee benefits		1,071	592
Provisions		224	-
Total current liabilities		27,833	13,397
Non-current liabilities			
Contract liabilities	16	6,073	6,827
Lease liabilities	17	8,734	2,174
Employee benefits		326	141
Provisions		1,326	-
Total non-current liabilities		16,459	9,142
Total liabilities		44,292	22,539
Net assets		311,587	74,513
Equity			
Issued capital	18	313,149	80,378
Reserves	19	10,088	5,474
Accumulated losses		(11,650)	(11,339)
Total equity		311,587	74,513

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2023	40,536	5,088	(26,624)	19,000
Profit after income tax benefit for the year	-	-	9,336	9,336
Other comprehensive income for the year, net of tax	-	1,061	-	1,061
Total comprehensive income for the year	-	1,061	9,336	10,397
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	38,142	-	-	38,142
Share-based payments (note 30)	-	5,274	-	5,274
Transfer from share-based payments reserve to accumulated losses	-	(5,949)	5,949	-
Repayment of management / employee option	1,700	-	-	1,700
Balance at 31 December 2023	<u>80,378</u>	<u>5,474</u>	<u>(11,339)</u>	<u>74,513</u>

Consolidated

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2024	80,378	5,474	(11,339)	74,513
Loss after income tax benefit for the year	-	-	(1,320)	(1,320)
Other comprehensive income for the year, net of tax	-	976	-	976
Total comprehensive income/(loss) for the year	-	976	(1,320)	(344)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	224,853	-	-	224,853
Share-based payments (note 30)	-	4,647	-	4,647
Transfer from share-based payments reserve to accumulated losses	-	(1,009)	1,009	-
Repayment of management / employee option	7,918	-	-	7,918
Balance at 31 December 2024	<u>313,149</u>	<u>10,088</u>	<u>(11,650)</u>	<u>311,587</u>

	Note	Consolidated 2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		56,604	70,906
Payments to suppliers and employees (inclusive of GST)		(117,084)	(62,285)
Research and development tax and other incentives received		271	2,546
Other receipts		15	15
Income taxes paid		(2,003)	(1,700)
Net cash from/(used in) operating activities	29	(62,197)	9,482
Cash flows from investing activities			
Payments for property, plant and equipment		(6,359)	(1,733)
Payments for intangibles	14	(6,652)	-
Payments for term deposits greater than 3 months		(422,284)	(1,193)
Proceeds from maturity of term deposits greater than 3 months		265,442	-
Interest received on cash deposits		4,589	974
Net cash used in investing activities		(165,264)	(1,952)
Cash flows from financing activities			
Proceeds from issue of shares	18	243,439	10,880
Proceeds from option exercised		1,433	31,062
Share issue transaction costs		(12,115)	(2,247)
Interest and other finance costs paid		(436)	(32)
Repayment of lease liabilities		(432)	(553)
Net cash from financing activities		231,889	39,110
Net increase in cash and cash equivalents		4,428	46,640
Cash and cash equivalents at the beginning of the financial year		56,696	10,144
Effects of exchange rate changes on cash and cash equivalents		1,496	(88)
Cash and cash equivalents at the end of the financial year	9	62,620	56,696

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information	32
Note 2. Material accounting policy information	32
Note 3. Critical accounting judgements, estimates and assumptions	34
Note 4. Operating segments	34
Note 5. Revenue	36
Note 6. Expenses	38
Note 7. Income tax	39
Note 8. Earnings per share	41
Note 9. Cash and cash equivalents	41
Note 10. Trade and other receivables	42
Note 11. Inventories	43
Note 12. Property, plant and equipment	43
Note 13. Right-of-use assets	45
Note 14. Intangible assets	46
Note 15. Trade and other payables	48
Note 16. Contract liabilities	48
Note 17. Lease liabilities	49
Note 18. Issued capital	49
Note 19. Reserves	51
Note 20. Dividends	52
Note 21. Financial instruments	52
Note 22. Key management personnel disclosures	55
Note 23. Remuneration of auditors	55
Note 24. Contingent liabilities	55
Note 25. Commitments	55
Note 26. Related party transactions	56
Note 27. Interests in subsidiaries	56
Note 28. Parent entity information	57
Note 29. Cash flow information	58
Note 30. Share-based payments	59
Note 31. Events after the reporting period	63

Note 1. General information

The financial statements cover DroneShield Limited as a Group consisting of DroneShield Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is DroneShield Limited's functional and presentation currency.

DroneShield Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5
126 Phillip Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2025. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DroneShield Limited ('Company' or 'parent entity') as at 31 December 2024 and the results of all subsidiaries for the year then ended. DroneShield Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Note 2. Material accounting policy information (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Comparatives

Where applicable, the comparative information has been reclassified to be consistent with the current financial year's presentation.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2024. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces IAS 1 'Presentation of Financial Statements', with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. The standard will affect presentation and disclosure in the financial statements, including mandating five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The Group will adopt this standard from 1 January 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments

The AASB has issued AASB 2024-2 to amend AASB 7 Financial Instruments: Disclosures and AASB 9 Financial Instruments.

This Standard amends requirements related to:

- settling financial liabilities using an electronic payment system; and
- assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features.

This Standard also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

AASB 2024-2 applies to annual periods beginning on or after 1 January 2026. Earlier application is permitted. The Group does not expect these amendments to have a material impact.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years are disclosed in the relevant notes.

Note 4. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Identification of reportable operating segments

The Group operates in one operating segment, being the development and commercialisation of hardware and software technology for drone detection and security.

The CODM reviews the operating results. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment transactions

Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 4. Operating segments (continued)

Disaggregation of operating segment by geography

**Segment performance
31 December 2024**

	USA \$'000	Australia \$'000	Elimination \$'000	Total \$'000
<i>Hardware sales including shipping revenue</i>			-	
- direct sales	14,775	18,634	(16,737)	16,672
- distributors	21,499	10,206	-	31,705
<i>Subscription and warranty revenue</i>			-	
- direct sales	2,430	630	-	3,060
- distributors	649	549	-	1,198
<i>Services revenue</i>			-	
- direct sales	62	4,789	-	4,851
- distributors	19	24	-	43
Total revenue from customers	39,434	34,832	(16,737)	57,529
Interest revenue	-	5,913	-	5,913
Other income/(losses)	(11,514)	891	11,885	1,262
Cost of goods sold	(11,996)	(4,288)	-	(16,284)
Product development expense	(1,240)	(20,575)	-	(21,815)
Sales and customer service expense	(5,774)	(5,357)	-	(11,131)
Corporate and support expense	(6,638)	(13,288)	4,803	(15,123)
Corporate governance expense	(55)	(1,976)	-	(2,031)
Share-based payment expense	-	(4,647)	-	(4,647)
Finance cost	(107)	(352)	-	(459)
Profit before tax	2,110	(8,847)	(49)	(6,786)
Income tax benefit	(687)	6,153	-	5,466
Profit after tax	1,423	(2,694)	(49)	(1,320)
Assets and liabilities				
Segment assets	33,280	526,775	(204,176)	355,879
Segment liabilities	(26,023)	(223,192)	204,923	(44,292)

Note 4. Operating segments (continued)

Segment performance
31 December 2023

	USA \$'000	Australia \$'000	Elimination \$'000	Total \$'000
<i>Hardware sales including shipping revenue</i>			-	
- direct sales	31,192	8,045	-	39,237
- distributors	4,760	4,592	-	9,352
<i>Subscription and warranty revenue</i>			-	
- direct sales	921	84	-	1,005
- distributors	10	395	-	405
<i>Services revenue</i>			-	
- direct sales	91	3,980	-	4,071
- distributors	9	10	-	19
Total revenue from customers	36,983	17,106	-	54,089
Interest revenue	-	974	-	974
Other income/(loss)	(38)	(10,775)	10,441	(372)
Cost of goods sold	(11,104)	3,778	(7,811)	(15,137)
Product development expense	(250)	(10,810)	-	(11,060)
Sales and customer service expense	(8,112)	(3,551)	-	(11,663)
Corporate and support expense	(1,164)	(3,480)	(2,630)	(7,274)
Corporate governance expense	(21)	(1,062)	-	(1,083)
Share-based payment expense	-	(5,274)	-	(5,274)
Finance cost	(19)	(13)	-	(32)
Profit before tax	16,275	(13,107)	-	3,168
Income tax benefit	2,730	3,438	-	6,168
Profit after tax	19,005	(9,669)	-	9,336
Assets and liabilities				
Segment assets	18,112	113,589	(34,649)	97,052
Segment liabilities	(11,314)	(44,734)	33,509	(22,539)

Note 5. Revenue

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Revenue from contracts with customers</i>		
Hardware and shipping	48,377	48,589
Warranty	1,441	16
Subscription	2,817	1,394
Services	4,894	4,090
Revenue	57,529	54,089

Note 5. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Customer type</i>		
Direct sales	24,583	44,313
Distributors	32,946	9,776
	<u>57,529</u>	<u>54,089</u>
<i>Timing of revenue recognition</i>		
Revenue generated at a point in time	48,377	48,589
Revenue generated over time	9,152	5,500
	<u>57,529</u>	<u>54,089</u>

Refer to note 4 for the geographical disaggregation of revenue.

Accounting policy

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Hardware and shipping

The Group sells hardware to distributors and directly to customers. Sales-related warranties associated with hardware can be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', and is recognised in revenue in line with AASB 15 'Revenue from Contracts with Customers'.

For sales of hardware to distributors, revenue is recognised when control of the hardware has transferred, being when the hardware has been shipped to the distributor's specified location (delivery) and collected from Customs by the distributor. Following delivery, the distributor has full discretion over the manner of distribution and price to sell the hardware, has the primary responsibility when on-selling the goods and where there is a risk of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the hardware is delivered to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Note 5. Revenue (continued)

For sales directly to customers, revenue is recognised when control of the hardware has transferred to the customer, being at the point the hardware is delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specified location. A receivable is recognised by the Group when the hardware is delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

As shipping income is directly related to the sale of hardware, it is not seen as a separate performance obligation and is recognised as and when the related hardware sale is recognised.

When the customer or distributor initially places the order, the customer or distributor is invoiced and the transaction price of the invoice at that point is recognised by the Group as deferred revenue, until control of the hardware has transferred to the customer or distributor and revenue is recognised.

Outside of warranties, customers do not have the right to return hardware sold therefore no 'right to returned goods asset' is recognised.

Subscription

The Group provides a subscription service for software updates. Such services are recognised as a performance obligation satisfied over time.

The transaction price allocated to these services is recognised as deferred revenue at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Services

The Group provides services for research and training. Such services are recognised as a performance obligation satisfied over time.

The transaction price allocated to these services is recognised as deferred revenue at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Note 6. Expenses

	Consolidated	
	2024	2023
	\$'000	\$'000
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Property, plant and equipment	2,311	976
Right-of-use assets	1,038	533
Intangible assets	268	15
Total depreciation and amortisation expense	3,617	1,524
<i>Superannuation expense</i>		
Defined contribution and superannuation expense	1,756	1,053
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	26,675	19,724

Note 7. Income tax

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Income tax benefit</i>		
Current tax	2,414	5,219
Deferred tax - origination and reversal of temporary differences	(7,880)	(5,362)
Research and development tax incentive	-	(6,025)
Aggregate income tax benefit	<u>(5,466)</u>	<u>(6,168)</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	<u>(7,880)</u>	<u>(5,362)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit	<u>(6,786)</u>	<u>3,168</u>
Tax at the statutory tax rate of 30%	(2,036)	950
Prior year tax losses not recognised now recouped	(1,784)	(10,125)
Difference in overseas tax rates	(1,437)	1,230
Research and development tax incentive	(5,326)	(6,025)
Foreign exchange adjustments	16	(172)
Amounts unprovided in prior year	-	140
Tax on unremitted foreign earnings	-	1,491
Expenditure not allowable for income tax	<u>5,101</u>	<u>6,343</u>
Income tax benefit	<u>(5,466)</u>	<u>(6,168)</u>
<i>Applicable statutory income tax rates are as follows:</i>		
- Australia	30%	30%
- USA (Federal and State)	24%	24%

Note 7. Income tax (continued)

	Consolidated 2024 \$'000	2023 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	419	265
Lease liabilities	2,696	524
Right-of-use assets	(2,098)	(134)
Contract liabilities	1,499	887
Research and development expenses	418	2,373
Losses carried forward	3,846	1,394
Blackhole expenditure	2,049	46
Other temporary differences	581	7
R&D tax incentive offset carried forward	4,329	-
Deferred tax asset	<u>13,739</u>	<u>5,362</u>
Movements:		
Opening balance	5,362	-
Credited to profit or loss	7,880	5,362
Foreign exchange	497	-
Closing balance	<u>13,739</u>	<u>5,362</u>

Accounting policy

Income and deferred tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 7. Income tax (continued)

Entities within the Group are entitled to claim special tax deductions in relation to qualifying expenditure under the Research and Development Tax Incentive regime. The Group accounts for these allowances as tax credits.

Key estimate and judgement

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 8. Earnings per share

	Consolidated	
	2024	2023
	\$'000	\$'000
(Loss)/profit after income tax attributable to the owners of DroneShield Limited	<u>(1,320)</u>	<u>9,336</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	624,993,012	464,029,449
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>49,234,000</u>	<u>11,470,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>674,227,012</u>	<u>475,499,449</u>
	\$	\$
Basic earnings per share	(0.002)	0.020
Diluted earnings per share	(0.002)	0.020

49,234,000 share options have been excluded from the above calculation for diluted earnings per share at 31 December 2024 as their inclusion would be anti-dilutive due to the loss for the year.

Note 9. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank and on hand	47,620	35,867
Short-term deposits	<u>15,000</u>	<u>20,829</u>
	<u>62,620</u>	<u>56,696</u>

Note 9. Cash and cash equivalents (continued)

Accounting policy

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	17,328	1,971
GST receivable	298	268
Other receivables	1,539	-
Prepayments	12,187	6,619
	<u>31,352</u>	<u>8,858</u>

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised a provision for expected credit losses because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing of the receivables are as follows:

	Carrying amount	
	2024	2023
	\$'000	\$'000
Consolidated		
Not overdue	17,345	1,934
Over 120 days	(17)	37
	<u>17,328</u>	<u>1,971</u>

Accounting policy

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Prepayments

Payments made for the receiving of goods or services rendered in the next 12 months are recognised as a prepayment.

Note 11. Inventories

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Raw materials - at cost	48,981	10,533
Finished goods - at cost	17,697	8,047
	<u>66,678</u>	<u>18,580</u>

Inventories recognised as expenses during the year amounted to \$16,284,000 (2023: \$15,137,000). This is disclosed in cost of goods sold in the consolidated statement of profit or loss.

Inventory impaired during the year amounted to \$630,427 (2023: \$162,146).

Accounting policies

Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value using the weighted average cost. Cost comprises of direct materials and delivery costs, direct labour, and other relevant attributable costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Key estimate and judgement

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Note 12. Property, plant and equipment

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	2,741	914
Less: Accumulated depreciation	(385)	-
	<u>2,356</u>	<u>914</u>
Plant and equipment - at cost	5,037	2,110
Less: Accumulated depreciation	(1,202)	(394)
	<u>3,835</u>	<u>1,716</u>
Vehicles and trailers - at cost	223	143
Less: Accumulated depreciation	(80)	(51)
	<u>143</u>	<u>92</u>
Demonstration equipment - at cost	3,956	1,744
Less: Accumulated depreciation	(1,728)	(889)
	<u>2,228</u>	<u>855</u>
Development equipment - at cost	104	391
Construction in progress - at cost	889	-
	<u>9,555</u>	<u>3,968</u>

Note 12. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improve- ments \$'000	Plant and equipment \$'000	Vehicles and trailers \$'000	Demonstra- tion equipment \$'000	Developme nt equipment \$'000	Constructio n in progress \$'000	Total \$'000
Balance at 1 January 2023	-	312	112	1,439	544	-	2,407
Additions	914	1,038	-	32	445	-	2,429
Disposals	-	(6)	-	(70)	(306)	-	(382)
Transfer from/(to) inventories	-	118	-	476	(159)	-	435
Transfer from/(to) profit or loss	-	526	-	(338)	(133)	-	55
Depreciation expense	-	(272)	(20)	(684)	-	-	(976)
Balance at 31 December 2023	914	1,716	92	855	391	-	3,968
Additions	1,827	2,994	69	511	-	889	6,290
Disposals	-	(35)	-	(3)	(42)	-	(80)
Transfer from/(to) inventories	-	-	-	2,069	-	-	2,069
Transfer from/(to) profit or loss	-	(6)	-	(135)	(245)	-	(386)
Exchange differences	-	-	5	-	-	-	5
Depreciation expense	(385)	(834)	(23)	(1,069)	-	-	(2,311)
Balance at 31 December 2024	<u>2,356</u>	<u>3,835</u>	<u>143</u>	<u>2,228</u>	<u>104</u>	<u>889</u>	<u>9,555</u>

Accounting policy

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-5 years
Vehicles and trailers	8 years
Demonstration equipment	2-5 years
Construction in progress	not depreciated

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Key estimate and judgement

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 13. Right-of-use assets

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Offices	8,665	2,000
Less: Accumulated depreciation	(1,566)	(74)
	<u>7,099</u>	<u>1,926</u>

The Group leases various offices with contractual lease terms ranging from 1 to 5 years.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Offices
	\$'000
Balance at 1 January 2023	459
Additions	2,000
Depreciation expense	(533)
Balance at 31 December 2023	1,926
Additions	6,211
Depreciation expense	(1,038)
Balance at 31 December 2024	<u>7,099</u>

Accounting policy

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 14. Intangible assets

	Consolidated	
	2024	2023
	\$'000	\$'000
Non-current assets		
Purchased software - at cost	56	50
Less: Accumulated amortisation	(31)	(16)
	<u>25</u>	<u>34</u>
Internally generated software - at cost	2,788	-
Less: Accumulated amortisation	(204)	-
	<u>2,584</u>	<u>-</u>
Prototypes and product designs - at cost	1,952	-
Less: Accumulated amortisation	(49)	-
	<u>1,903</u>	<u>-</u>
Ongoing development costs (WIP) - at cost	1,907	-
	<u><u>6,419</u></u>	<u><u>34</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Purchased software \$'000	Internally generated software \$'000	Prototypes and product designs \$'000	Ongoing development costs (WIP) \$'000	Total \$'000
Balance at 1 January 2023	29	-	-	-	29
Additions	20	-	-	-	20
Amortisation expense	(15)	-	-	-	(15)
Balance at 31 December 2023	34	-	-	-	34
Additions	6	-	-	6,647	6,653
Transfers	-	2,788	1,952	(4,740)	-
Amortisation expense	(15)	(204)	(49)	-	(268)
Balance at 31 December 2024	<u><u>25</u></u>	<u><u>2,584</u></u>	<u><u>1,903</u></u>	<u><u>1,907</u></u>	<u><u>6,419</u></u>

Accounting policy

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Purchased software

Purchased software relates to the cost of purchased licenses. This software is used by the technology teams in the development of new products and software. The intangible asset is subsequently carried at historical cost less accumulated amortisation and impairment losses. Purchased software is amortised on a straight-line basis over 5 years.

Note 14. Intangible assets (continued)

Internally generated software

Internally generated software comprises of the historical cost of development activities for computer software licensed to and used by customers. The asset is transferred from ongoing development costs (WIP) when the software is considered ready for its intended use, which coincides with when the software is released to customers. The intangible asset is subsequently carried at historical cost less accumulated amortisation and impairment losses. Internally generated software is amortised on a straight-line basis over 4 years.

Prototypes and product designs

Prototypes and product designs comprise of the historical cost of development activities relating to the design and testing of new products being released to the market. The primary cost is engineering salaries, noting that the Group's products are highly technical and require significant research and development relating to both hardware and software before a market release is possible. The intangible asset is transferred from ongoing development costs (WIP) based on when project milestones are met. The intangible asset is subsequently carried at historical cost less accumulated amortisation and impairment losses. Prototypes and product designs are amortised on a straight-line basis over 3-4 years.

Ongoing development costs (WIP)

Ongoing development costs relate to costs incurred on projects that have met the development cost capitalisation criteria. These costs are put in force as an amortising intangible asset when the asset is ready for its intended use. The length of the project depends on the nature, but can range from 3-6 months (for ongoing software development) to 1-2 years (for new product development). Ongoing development costs are not amortised, and tested for impairment when there are indicators.

Key estimate and judgement

Project capitalisation

Management has made judgements in assessing whether costs relating to a project may be capitalised as an intangible asset. This includes assessment as to:

- whether the project gives rise to an intangible asset which meets the definition criteria of the accounting standards, including control and future economic benefit;
- whether a project is in the research or development phase; and
- when in the development phase, whether the related development costs may be capitalised, considering the attributes of the intangible asset including commercial and technical feasibility of completion, ability to use or sell, probable future economic benefit, and other relevant factors as per the recognition criteria in the accounting standard.

Prior to 2024, management's assessment was that the development phase costs could not be capitalised due to failure of the recognition criteria noted above. Continued growth in sales along with anticipated customer demand have contributed to the evidence that capitalisation is now appropriate under the accounting standards for a select group of projects.

Useful life of intangible assets

Management makes judgements when assessing the expected useful life of an intangible asset. The useful life is reviewed at the end of the reporting period and adjusted if appropriate. For internally generated software, the useful life has been determined with reference to the expected rate of obsolescence of both the software itself and the hardware which the software supports. For prototypes and product designs, the useful life is determined based on the Group's technology roadmap and the expected hardware refresh cycle, noting that new versions of hardware are released periodically in order to keep pace with technological development in the industry.

Impairment of intangible assets

Management uses judgement to assess whether any impairment indicators exist for intangible assets. The impairment indicators are reviewed at each reporting period. In 2024, no impairment was noted.

Note 15. Trade and other payables

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Current liabilities</i>		
Trade payables	2,167	3,487
Accrued expenses	2,550	777
	<u>4,717</u>	<u>4,264</u>

Refer to note 21 for further information on financial instruments.

Accounting policy

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Contract liabilities

Contract liabilities by type of deferred revenue is as follows:

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Current liabilities</i>		
Hardware and shipping	12,813	3,713
Subscription	5,018	2,511
Services	165	56
Warranty	2,653	1,440
	<u>20,649</u>	<u>7,720</u>
<i>Non-current liabilities</i>		
Subscription	3,815	3,577
Warranty	2,258	3,250
	<u>6,073</u>	<u>6,827</u>
	<u>26,722</u>	<u>14,547</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	14,547	4,052
Transfer to revenue - included in the opening balance	(5,586)	976
Disposals	(373)	-
Payments received in advance for new contracts	18,134	9,519
	<u>26,722</u>	<u>14,547</u>

Note 16. Contract liabilities (continued)

Accounting policy

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 17. Lease liabilities

The total cash outflows for leases, including short-term leases was \$866,000 (2023: \$553,000), including short-term lease payments of \$49,000 (2023: \$70,000). In addition, fitout incentives of \$1,123,000 (2023: \$690,000) were received from the lessor. Interest on leases was \$434,000 (2023: \$27,000).

Refer to note 21 for the maturity analysis of lease liabilities.

Accounting policy

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Key estimate and judgement

Incremental borrowing rate

Management estimates the Group's incremental borrowing rate which is used as the discount rate to calculate the present value of the lease payments that are not paid at the commencement date.

Lease term

Judgement is also applied by management to determine the lease term for some lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Note 18. Issued capital

	Consolidated			
	2024 Shares	2023 Shares	2024 \$'000	2023 \$'000
Ordinary shares - fully paid	872,115,159	611,453,611	313,149	80,378

Note 18. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2023	451,041,985		40,535
Share issued - share placement ^(a)	10 February 2023	36,266,666	\$0.30	10,880
Share issued - share purchase plan ^(b)	9 March 2023	97,870,792	\$0.30	29,362
Shares issued - options exercised ^(c)	2 May 2023	2,749,168	\$0.00	-
Employee share buy-back ^(d)	29 June 2023	(1,025,000)	\$0.00	-
Repayment of limited recourse loan		-	\$0.00	1,700
Shares issued - options exercised ^(c)	19 October 2023	24,500,000	\$0.00	-
Shares issued - options exercised ^(c)	22 December 2023	50,000	\$0.00	-
Transaction costs in relation to shares issued from share placement ^(e)		-	\$0.00	(2,099)
Balance	31 December 2023	611,453,611		80,378
Shares issued - options exercised ^(f)	19 January 2024	700,000	\$0.00	-
Shares issued - options exercised ^(f)	6 March 2024	3,850,000	\$0.25	962
Shares issued - options exercised ^(f)	22 March 2024	400,000	\$0.25	100
Shares issued - options exercised ^(f)	22 March 2024	100,000	\$0.30	30
Share issued - share placement ^(g)	29 April 2024	87,776,916	\$0.80	70,222
Shares issued - options exercised ^(f)	29 April 2024	125,000	\$0.30	37
Share issued - share purchase plan ^(h)	8 May 2024	18,748,720	\$0.80	15,000
Shares issued - options exercised (cashless exercise) ^(f)	17 May 2024	221,143	\$0.35	-
Shares issued - options exercised ^(f)	24 May 2024	750,000	\$0.25	188
Share issued - share placement ^(g)	7 June 2024	37,875,000	\$0.80	30,300
Shares issued - options exercised ^(f)	14 June 2024	450,000	\$0.20	90
Shares issued - options exercised ^(f)	14 June 2024	100,000	\$0.25	25
Repayment of limited recourse loan issued to employee		-	\$0.00	7,917
Shares issued - options exercised (cashless exercise) ^(f)	5 August 2024	5,166,942	\$1.21	-
Share issued - share placement ⁽ⁱ⁾	7 August 2024	104,347,827	\$1.15	120,000
Shares issued - options exercised (loan funded)	20 September 2024	50,000	\$0.30	-
Transaction costs in relation to shares issued ⁽ⁱ⁾		-	\$0.00	(12,100)
Balance	31 December 2024	<u>872,115,159</u>		<u>313,149</u>

(a) In February 2023, the Company issued 36,266,666 shares in a share placement. The issue price was \$0.30 per share and the total cash received from the placement of shares was \$10,880,000.

(b) In March 2023, the Company issued 97,870,792 shares in a share purchase plan. The issue price was \$0.30 per share and the total cash received from the placement of shares was \$29,362,000.

(c) During the year ended 31 December 2023, 2,799,168 options were exercised using limited-recourse loans, where the Company provided interest free loans for conversion of options previously issued by the Company into shares. The loans are due for repayment within 5 years from the date of inception. The loans are non-recourse except against the shares issued on exercise of the options and are held by the participant to which the loan relates. 24,500,000 options were performance options, which vested during the year and were exercised at a zero-price.

(d) Shares were issued to employees under the Company's Incentive Option Plan (IOP). These employees have ceased employment with the Company and the loans made to them to fund the issue of the shares became repayable on the cessation of employment. The Company took back the issued shares at the outstanding loan amount in full settlement of the loan, in accordance with the IOP terms. No actual cash expenditure was incurred by the Company.

(e) Included in transaction costs is management, selling and success fees paid to brokers in relation to the February 2023 share placement and March 2023 share purchase plan.

(f) During the year, 50,000 options were exercised using a limited-recourse loan, where the company provided an interest free loan for conversion of options previously issued by the company into shares. The loan is due for repayment within 5 years from the date of inception. The loan is non-recourse except against the shares issued on exercise of the options and are held by the participant to which the loan relates. 700,000 performance options were exercised and 5,388,085 options were exercised via a cashless exercise. Cash was received of \$1,432,528 for the remaining 5,775,000 options exercised.

Note 18. Issued capital (continued)

- (g) In April and June 2024, the Company issued, in total, 125,651,916 shares in share placements. The issue price was \$0.80 per share and the total cash received from the placement of shares was \$100,522,000.
- (h) In May 2024, the Company issued 18,748,720 shares in a share purchase plan. The issue price was \$0.80 per share and the total cash received was \$15,000,000.
- (i) Included in transaction costs is corporate advisory, management and selling fees paid to brokers in relation to the April, June and August 2024 share placements.
- (j) In August 2024, the Company issued 104,347,827 shares in a share placement. The issue price was \$1.15 per share and the total cash received from the placement of shares was \$120,000,000.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 31 December 2023 Annual Report.

Accounting policy

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Reserves

	Consolidated	
	2024	2023
	\$'000	\$'000
Foreign currency reserve	2,259	1,283
Share-based payments reserve	7,829	4,191
	<u>10,088</u>	<u>5,474</u>

Foreign currency reserve

The foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Note 19. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$'000	Share-based payments \$'000	Total \$'000
Balance at 1 January 2023	222	4,866	5,088
Foreign currency translation	1,061	-	1,061
Share-based payments	-	5,274	5,274
Transfer from share-based payments reserve to accumulated losses	-	(5,949)	(5,949)
Balance at 31 December 2023	1,283	4,191	5,474
Foreign currency translation	976	-	976
Share-based payments	-	4,647	4,647
Transfer from share-based payments reserve to accumulated losses	-	(1,009)	(1,009)
Balance at 31 December 2024	2,259	7,829	10,088

Accounting policies

Foreign currency translation - transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign currency translation - foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 20. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 21. Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date translated in AUD at the reporting date rate were as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Financial assets</i>		
Cash and cash equivalents	23,284	21,394
Trade and other receivables	9,711	2,487
Term and other deposits	161	147
Total financial assets	<u>33,156</u>	<u>24,028</u>
<i>Financial liabilities</i>		
Trade and other payables	(2,176)	(2,777)
Contract liabilities	(24,860)	(10,827)
Total financial liabilities	<u>(27,036)</u>	<u>(13,604)</u>

The following table, expressed in AUD, indicates DroneShield's sensitivity to movements in exchange rates on the profit or loss, based on the AUD strengthening/ weakening against the USD, GBP and EUR by 10%:

	AUD strengthened		AUD weakened	
	% change	Effect on profit before tax \$'000	% change	Effect on profit before tax \$'000
Consolidated - 2024				
USD, GBP and EUR	10%	<u>(378)</u>	(10%)	<u>898</u>
	AUD strengthened		AUD weakened	
	% change	Effect on profit before tax '000	% change	Effect on profit before tax '000
Consolidated - 2023				
USD, GBP and EUR	10%	<u>(606)</u>	(10%)	<u>1,549</u>

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 21. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	Weighted average interest rate %	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		4,717	-	-	4,717
<i>Interest-bearing - variable</i>					
Lease liability - net of lease incentives	6.07%	111	9,671	-	9,782
Total non-derivatives		4,828	9,671	-	14,499

Over the next 12 months, DroneShield Limited expects to receive fitout incentives of \$2,590,000 relating to office space leased at the end of 2024.

Consolidated - 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		4,264	-	-	4,264
<i>Interest-bearing - variable</i>					
Lease liability	6.07%	545	2,454	250	3,249
Total non-derivatives		4,809	2,454	250	7,513

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 22. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024	2023
	\$	\$
Movement in employee benefits	120,203	6,902
Performance bonus	1,664,409	690,754
Post-employment benefits	57,331	43,271
Salaries and fees	1,185,947	611,011
Share-based payments	1,631,491	3,723,669
	<u>4,659,381</u>	<u>5,075,607</u>

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd Assurance (NSW) Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - HLB Mann Judd Assurance (NSW) Pty Ltd</i>		
Audit or review of the financial statements	<u>165,562</u>	<u>89,710</u>
<i>Other services - HLB Mann Judd Assurance (NSW) Pty Ltd</i>		
Taxation and other services	<u>-</u>	<u>50,416</u>
	<u>165,562</u>	<u>140,126</u>
<i>Other services - network firms</i>		
Taxation, information technology and other services	<u>509,550</u>	<u>433,768</u>

Note 24. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2024 and 31 December 2023.

Note 25. Commitments

At 31 December 2024, contractual agreements existed to pay suppliers \$28,188,702 for the manufacturing of inventory to deliver on orders received (31 December 2023: \$27,563,283).

Note 26. Related party transactions

Parent entity

DroneShield Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the Directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current reporting date. At the previous reporting date, there were no loans to or from related parties other than the limited recourse loans for the exercise of options, disclosed in the remuneration report included in the Directors' report.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
DroneShield Group Pty Ltd	Australia	100%	100%
DroneShield Corporation Pty Ltd	Australia	100%	100%
DroneShield Defence Services Pty Ltd	Australia	100%	-
DroneShield LLC	United States of America	100%	100%

Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$'000	\$'000
Loss after income tax	(1,627)	(1,778)
Total comprehensive loss	(1,627)	(1,778)

Statement of financial position

	Parent	
	2024	2023
	\$'000	\$'000
Total current assets	279,656	48,940
Total non-current assets	8,454	2,728
Total assets	288,110	51,668
Total current liabilities	769	2,912
Total non-current liabilities	-	102
Total liabilities	769	3,014
Net assets	287,341	48,654
Equity		
Issued capital	311,826	79,055
Reserves	7,829	4,202
Accumulated losses	(32,314)	(34,603)
Total equity	287,341	48,654

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2024 and 31 December 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2024 and 31 December 2023.

Capital commitments - inventory

At 31 December 2024, no contractual agreements existed, for the parent entity, to pay suppliers for the manufacturing of inventory to deliver on orders received (2023: \$1,416,142). All supplier purchases are now processed through DroneShield Group Pty Ltd, a subsidiary company.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 29. Cash flow information

Reconciliation of (loss)/profit after income tax to net cash from/(used in) operating activities

	Consolidated	
	2024	2023
	\$'000	\$'000
(Loss)/profit after income tax benefit for the year	(1,320)	9,336
Adjustments for:		
Depreciation and amortisation expense	3,617	1,524
Impairment of inventories	630	162
Net loss on disposal of property, plant and equipment	-	5
Share-based payments	4,647	5,274
Foreign exchange differences	386	444
Transfers from fixed assets	-	634
Interest received	(5,913)	(974)
Interest and other finance costs	459	32
Change in operating assets and liabilities:		
Increase in trade and other receivables	(29,281)	(627)
Decrease in contract assets	86	-
Increase in inventories	(48,098)	(14,846)
Increase in income tax refund due	(33)	(349)
Increase in deferred tax assets	(8,377)	(5,362)
Increase in trade and other payables	5,456	2,921
Increase in provision for income tax	1,155	370
Increase in employee benefits	664	240
Increase in other provisions	1,550	-
Decrease in borrowings	-	(70)
Increase in contract liabilities	12,175	10,768
Net cash from/(used in) operating activities	<u>(62,197)</u>	<u>9,482</u>

Non-cash investing and financing activities

	Consolidated	
	2024	2023
	\$'000	\$'000
Additions to the right-of-use assets	6,211	2,000
Additions to property, plant and equipment	69	696
	<u>6,280</u>	<u>2,696</u>

Note 29. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Lease liabilities \$'000	Borrowings \$'000	Total \$'000
Balance at 1 January 2023	526	70	596
Net cash used in financing activities	(553)	-	(553)
Interest	27	-	27
Acquisition of leases	2,000	-	2,000
Other changes	625	(70)	555
Balance at 31 December 2023	2,625	-	2,625
Net cash used in financing activities	(432)	-	(432)
Interest	512	-	512
Acquisition of leases	6,211	-	6,211
Other changes	426	-	426
Balance at 31 December 2024	9,342	-	9,342

Note 30. Share-based payments

The Group provides benefits to employees in the form of share-based payment options via an Incentive Option Plan. The Incentive Option Plan was approved at the 2023 AGM held on 19 April 2023, approving an issue of up to a maximum of 50,000,000 options. The Incentive Option Plan continues in operation until the Board decides to end it.

Fair value is measured at grant date using the Black-Scholes Model. The fair values of these instruments granted under the plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the instruments.

The fair value of the instruments granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of instruments that are expected to become exercisable.

The employee benefit expense recognised in each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit and loss with a corresponding adjustment to equity.

Note 30. Share-based payments (continued)

Incentive Option Plan
2024

Number of options

Option class	Grant date(s)	Opening balance	Granted	Lapsed	Exercised	Closing balance	Average grant date fair value
V	27/05/2021	5,000,000	-	-	(5,000,000)	-	\$0.0600
W	22/06/2021	450,000	-	-	(450,000)	-	\$0.0651
Y	05/01/2022 - 19/01/2022	850,000	-	-	(100,000)	750,000	\$0.0719
Performance 2023	18/04/2023 - 20/04/2023	700,000	-	-	(700,000)	-	\$0.3004
AA	16/06/2022 - 03/08/2022	500,000	-	-	(175,000)	325,000	\$0.1059
AB	22/07/2022	500,000	-	-	-	500,000	\$0.1900
AC	18/04/2023 - 20/04/2023	3,070,000	-	(105,000)	(2,450,000)	515,000	\$0.1037
AD	12/07/2023	100,000	-	-	(100,000)	-	\$0.0724
AE	03/11/2023 - 22/12/2023	300,000	-	(100,000)	-	200,000	\$0.1041
AF	17/01/2024	-	5,850,000	-	(5,850,000)	-	\$0.1513
AG	14/02/2024 - 15/02/2024	-	519,000	-	-	519,000	\$0.7600
AH	26/03/2024	-	20,000	-	-	20,000	\$0.2553
Performance 2024	15/01/2024 - 17/12/2024	-	46,510,000	(105,000)	-	46,405,000	\$0.4374
		<u>11,470,000</u>	<u>52,899,000</u>	<u>(310,000)</u>	<u>(14,825,000)</u>	<u>49,234,000</u>	

46,510,000 performance options were issued and shall vest and become exercisable into shares at any time on and from the earlier of the date that the vesting conditions are satisfied:

45,660,000 performance options are subject to the following vesting conditions being satisfied: DroneShield achieving \$200 million of revenue or customer cash receipts in any rolling twelve-month period from the date of the issue of the options, or a change of control event, and terminates on the expiry date.

850,000 performance options are subject to the following vesting conditions being satisfied: DroneShield achieving \$50 million of revenue or customer cash receipts in any rolling twelve-month period from the date of the issue of the options, or a change of control event, and terminates on the expiry date.

As there is no exercise price and no near-term expectations of dividends to be paid, the value of the option (excluding the impact of vesting conditions) determined using Black-Scholes is equivalent to the spot price of a DroneShield share on the date at which the options were issued. Based on existing orders, management assume that the options will vest within the expiry period.

Note 30. Share-based payments (continued)

2023

Number of options

Option class	Grant date(s)	Opening balance	Granted	Lapsed	Exercised	Closing balance	Average grant date fair value
Q	19/12/2019 - 28/08/2020	1,955,001	-	(505,833)	(1,449,168)	-	\$0.0876
V	27/05/2021	5,000,000	-	-	-	5,000,000	\$0.0600
W	22/06/2021	450,000	-	-	-	450,000	\$0.0651
X	05/01/2022 - 10/01/2022	1,450,000	-	(100,000)	(1,350,000)	-	\$0.0349
Y	5/01/2022 - 19/01/2022	850,000	-	-	-	850,000	\$0.0719
Performance 2023	26/04/2023 - 20/04/2023	25,000,000	700,000	(500,000)	(24,500,000)	700,000	\$0.3004
AA	15/06/2022 - 03/08/2022	550,000	-	(50,000)	-	500,000	\$0.1059
AB	22/07/2022	500,000	-	-	-	500,000	\$0.1900
AC	18/04/2023 - 20/04/2023	-	3,140,000	(70,000)	-	3,070,000	\$0.1037
AD	12/07/2023	-	100,000	-	-	100,000	\$0.0724
AE	03/11/2023 - 22/12/2023	-	300,000	-	-	300,000	\$0.1041
		<u>35,755,001</u>	<u>4,240,000</u>	<u>(1,225,833)</u>	<u>(27,299,168)</u>	<u>11,470,000</u>	

Performance options are subject to the following vesting conditions being satisfied:

DroneShield achieving \$50,000,000 of revenue or customer cash receipts in any rolling twelve-month period from the date of the issue of the options, or a change of control event, and terminates on the expiry date.

As there is no exercise price and no near-term expectations of dividends to be paid, the value of the option (excluding the impact of vesting conditions) determined using Black-Scholes is equivalent to the spot price of a DroneShield share on the date at which the options were issued. Based on the sales pipeline and existing orders, management estimate that the options will vest within the expiry period. At this stage, the vesting period is assumed to be five years, which will be reviewed against updated pipeline and forecasts semi-annually.

For the options granted during the current and previous financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

2024

Class	Expiry date	Exercise price	Expected volatility %	Dividend yield %	Risk-free interest rate %	Expense '000
AF	19/01/2027	\$0.45	54.38%	-	3.74%	\$885
AG	16/02/2027	\$0.76	54.38%	-	3.71%	\$119
AH	28/03/2027	\$0.80	54.38%	-	3.65%	\$5
Performance ¹		\$0.00	-	-	-	<u>\$3,638</u>
						<u>\$4,647</u>

(1) Various expiry dates between 29 April 2027 and 31 December 2029.

Note 30. Share-based payments (continued)

2023

Class	Expiry date	Exercise price	Expected volatility %	Dividend yield %	Risk-free interest rate %	Expense '000
AC	20/04/2026	\$0.35	54.38%	-	2.99%	\$326
AD	12/07/2025	\$0.30	54.38%	-	4.07%	\$7
AE	03/11/2026	\$0.40	54.38%	-	4.19%	\$31
Performance	29/04/2027	\$0.00	-	-	-	\$210
Other ²		\$0.00	-	-	-	\$4,700
						<u>\$5,274</u>

(2) Included in Other is the vesting expense from options issued in prior periods, comprising option expenses for classes AC, AD and AE issued in 2023, and Performance Options issued in 2022. Refer to 2022 Annual Report for details of options issued in prior periods.

Accounting policy

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 30. Share-based payments (continued)

Key estimate and judgement

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the Corporations Act 2001 (s.295(3A)(a)).

Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which is an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

- **Australian tax residency**
The Group has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5.
- **Foreign tax residency**
The Group has applied current legislation and where available, judicial precedent in the determination of foreign tax residency. The Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
DroneShield Limited	Body Corporate	Australia	100%	Australian and United States of America ¹
DroneShield Group Pty Ltd	Body Corporate	Australia	100%	Australian
DroneShield Corporation Pty Ltd	Body Corporate	Australia	100%	Australian
DroneShield Defence Services Pty Ltd	Body Corporate	Australia	100%	Australian
DroneShield LLC	Body Corporate	United States of America	100%	Australian and United States of America ²

(1) As DroneShield Limited is an Australian incorporated entity, it is regarded as an Australian tax resident company. In June 2016, DroneShield Limited completed an exchange agreement acquiring 100% of DroneShield LLC, a US Limited Liability Company. Under the US Taxation Code, DroneShield Limited is also treated as a US Corporation for US tax purposes.

(2) DroneShield LLC is a Delaware incorporated entity and considered a US tax resident company. DroneShield LLC is also regarded as an Australian tax resident company due to central management and control being based in Australia.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter James
Independent Non-Executive Chairman

25 February 2025
Sydney NSW

Independent Auditor's Report to the Members of DroneShield Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of DroneShield Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition (Note 5)	
The Group recognised total revenue of \$57,529,000 during the year ended 31 December 2024 (2023: \$54,089,000). Given the complexity within the Group's revenue recognition policies, including the application of judgments and estimates, involved in the application of AASB 15: <i>Revenue from Contracts with Customers</i> ("AASB 15"), we identified this as a Key Audit Matter.	Our audit procedures included, but were not limited to the following: Evaluating the appropriateness of the Group's revenue recognition accounting policy to assess compliance with AASB 15. On a sample basis we tested a sample of revenue transactions recorded during the year, evaluating management's assessments and reviewed related contracts and other documentation to assess whether revenue recognised was in accordance with the requirements of AASB 15. We also assessed the adequacy of the disclosures within the financial statements.
Existence and Valuation of inventory (Note 11)	
At 31 December 2024, the Group held inventory with a carrying value of \$66,678,000 (2023: \$18,580,000). As detailed in note 11 of the financial statements, inventories are valued at the lower of cost and net realisable value. Judgement is involved in estimating the net realisable value of inventory as it requires estimating the future sales volumes and prices for specific inventory lines. We focussed on this area as a key audit matter due to the material value of this balance.	Our audit procedures included but were not limited to the following: Observation of the balance date inventory counts including observation of count procedures and related controls. Reconciliation of the physical inventory count records to the accounting inventory listing at balance date. Testing a sample of inventory items to assess whether the carrying value was recorded at lower of cost or net realisable value in accordance with AASB 102: <i>Inventories</i>. We reviewed and tested management's assessment of inventory obsolescence. We reviewed the accounting policies adopted by the Group for inventory, including the disclosures in the financial statements for compliance with the requirements of accounting standards.
Share Based Payments (Note 30)	
In the current and previous periods, the Group has issued a number of share options to directors and management. As detailed in note 30 of the financial statements, and in accordance with AASB 2: <i>Share Based Payment</i> ("AASB 2"), the fair value of the options at grant date are determined by management, and utilised to record the share based payment expense for the options issued.	Our audit procedures included but were not limited to the following: We reviewed and verified the key terms of the options issued during the year, to the supporting agreements and documentation. We reviewed the fair valuation calculation for the options, with reference to the methodology utilised and the key assumptions adopted in the valuation.

The key assumptions used in determining the fair value of the options are set out in note 30 to the financial statements.

We tested the accuracy of the recorded share-based payment expense for the year in the statement of profit or loss and option reserve.

We considered this to be a key audit matter due to the significant estimation and judgement required by the Group in determining the fair value of the share based payments issued.

We assessed the accuracy of the Group's disclosure of the share based payment arrangement and options on issue in the financial statements with reference to the requirements of AASB 2.

Intangible assets (Note 14)

At 31 December 2024, the Group has recognised intangible assets with a carrying value of \$6,419,000 (2023: \$34,000).

Our audit procedures included but were not limited to the following:

The Group has capitalised development costs ("R&D") associated with internally generated software, prototypes and product designs in line with AASB 138 *Intangible Assets* ("AASB 138").

Assessing the Group's capitalisation policy for development costs against the recognition criteria in AASB 138.

The key estimates and judgement used in assessing the recognition and measurement of the R&D costs along with the assessed useful life of the intangible assets are set out in Note 14 to the financial statements.

Reviewing a sample of capitalised project costs to:

We considered this to be a key audit matter due to the complexity and significant management estimation and judgement involved in assessing the capitalisation of R&D costs in accordance with AASB 138.

- Determine whether they were directly attributable to the development phase of the projects.
- Assess whether the costs relate to an asset that meets the technical and commercial feasibility criteria.
- For a sample of employees, we obtained employee timesheets and reviewed management's assessment of the labour costs direct attribution to the development project.
- For a sample of material costs, we tested whether the R&D material costs agree to supporting documentation and are directly attributed to the development project.

Assessing the reasonableness of management's assumptions about future economic benefits, supporting the development project including consideration of the useful life of the intangible assets.

Evaluating whether any indicators of impairment existed at balance date that would require an impairment to the value of the capitalised development costs.

Reviewing the adequacy of financial statement disclosures in accordance with AASB 138, including key judgments and assumptions applied by management.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 33 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of DroneShield Limited for the year ended 31 December 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
25 February 2025



N J Guest
Director

The shareholder information set out below was applicable as at 18 February 2025.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	6,409	0.45	-	-
1,001 to 5,000	10,419	3.29	2	0.02
5,001 to 10,000	4,494	4.03	7	0.12
10,001 to 100,000	7,301	25.64	71	8.41
100,001 and over	860	66.59	49	91.45
	<u>29,483</u>	<u>100.00</u>	<u>129</u>	<u>100.00</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
BNP PARIBAS NOMINEES PTY LTD <CLEARSTREAM>	83,499,805	9.57
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	53,775,755	6.17
CITICORP NOMINEES PTY LIMITED	45,595,335	5.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,737,965	4.79
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,135,930	3.11
BETA GAMMA PTY LTD	20,000,000	2.29
EPIRUS INC	18,500,000	2.12
MR PAUL JONATHAN SHAW	13,097,550	1.50
FINCLEAR SERVICES PTY LTD <SUPERHERO SECURITIES A/C>	10,849,345	1.24
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	9,272,897	1.06
UBS NOMINEES PTY LTD	8,115,288	0.93
BNP PARIBAS NOMS PTY LTD	7,026,984	0.81
S R BENNETT PTY LTD <D&S BENNETT PTY LTD SF A/C>	4,799,722	0.55
P & B SHAW FT CB PTY LTD	4,374,775	0.50
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	4,067,753	0.47
NEWECOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	3,020,461	0.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	2,840,451	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,671,714	0.31
BLACKWOOD CONSULTING PTY LTD ROGER <CAMPBELL FAMILY A/C>	2,480,761	0.28
MR BARRY MARTIN LAMBERT	2,333,333	0.27
	<u>365,195,824</u>	<u>41.88</u>

The number of unquoted equity securities (Options) on issue as at 31 December 2024 was 49,234,000 held by 59 holders.

4,839 holders held less than a marketable parcel of DRO securities, based on the closing market price as of 18 February 2025 of \$0.60.

Vanguard Group (The Vanguard Group, Inc. and its controlled entities) are substantial holders, holding 47,669,721 of the Company's quoted securities, which represents 5.466% of the voting power.

Mr Oleg Vornik holds 15,000,000 unquoted equity securities (Options), representing 25.6% of the total unquoted equity securities (Options) as of 18 February 2025.

There are no restricted securities on issue.

The shareholders are entitled to one vote for each share held.

Unlisted Options do not have voting rights.

There is no on-market buy-back scheme in operation for the Company's quoted securities.

For personal use only