



DRONESHIELD

Quarterly Report

For the period ending
31 March 2025



Image: Formal opening of the DroneShield expanded Sydney facility with The Hon Pat Conroy MP, Minister for Defence Industry and Capability Delivery, March 2025

DroneShield Limited (ASX:DRO)

ASX Release

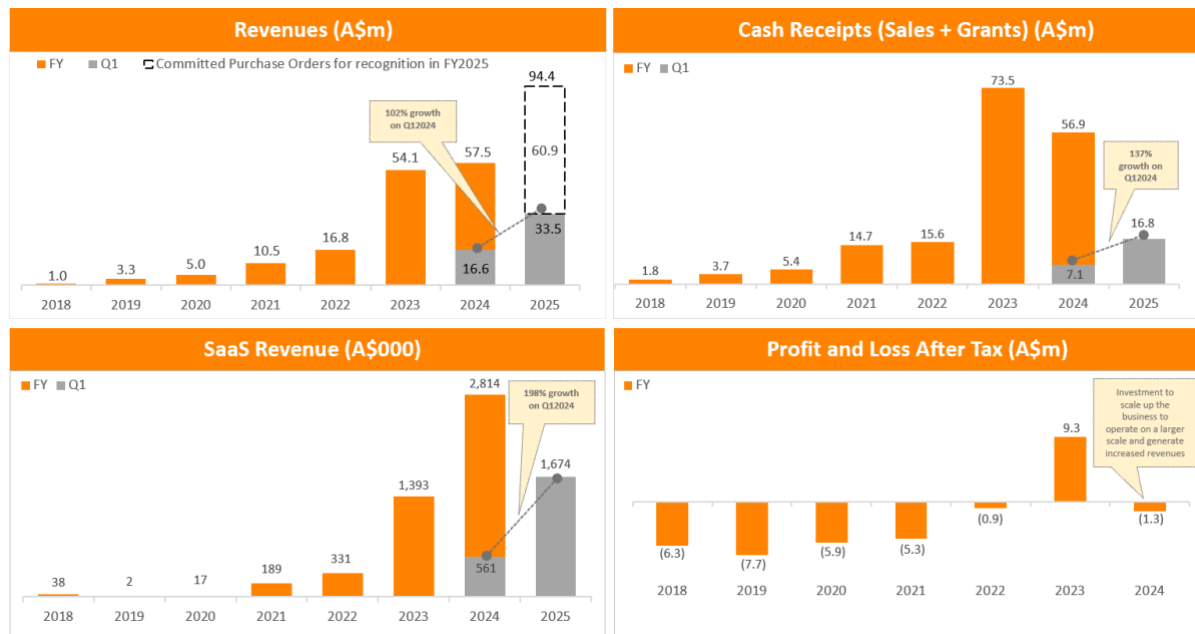
ABN 26 608 915 859

22 April 2025

ASX Announcement

Quarterly Activities/Appendix 4C Cash Flow Report

DroneShield Limited (ASX:DRO) ("DroneShield" or the "Company") is pleased to release its business update and Appendix 4C for the three-month period ended 31 March 2025.



Notes:

1. Committed Revenues as at 14 April 2025
2. YTD 2025 results are preliminary estimates. The audited results are due in February 2026, as part of the 2025 Annual Report.

Highlights

- **1Q2025 revenue of \$33.5 million** (1Q2024 revenue: \$16.6 million)
 - Highest revenue quarter historically to date (3Q2023 second highest at \$27.7 million, however substantially driven by the \$33 million contract received in July 2023)
 - 102% growth QoQ vs 1Q2024
- **\$94.4 million of revenue already either received or under committed Purchase Orders (POs) for 2025 delivery**, with majority of the year still to go
 - Already significantly higher revenue compared to the \$57.5m for all of FY2024 (which itself was an all-time record)
 - For clarity, any new POs announced from this point forward will be in addition to the \$94.4 million, as that amount only includes POs received up to 14 April 2024
- **1Q2025 cash receipts of \$16.7 million** (1Q2024 cash receipts: \$7.1 million)
 - 135% growth QoQ vs 1Q2024
 - Payments are generally made within the same or next quarter after delivery
 - The difference between revenues and cash receipts is mostly due to several 1Q deliveries, with payments scheduled to be received in 2Q (revenue is recognised on delivery for hardware sales)
- **1Q2025 SaaS revenues of \$1.67 million, up 198%** (1Q2024 SaaS Revenue: \$561k)
 - Expected to surge in 2026 when the next generation products are introduced
 - Customers receive the Company's latest AI software on their DRO hardware, upgraded quarterly on SaaS basis, in response to a rapidly evolving drone threat

- As the hardware becomes more flexible/open-ended with each generation of the product, the software updates are expected to play an increasing role and be critical to effectiveness, and are expected to increase the recurring revenues of the business
- Additional SaaS based solutions (such as DroneSentry-C2 Enterprise Edition) planned for launch in the next 12 months
- The DroneShield Access Portal, which is the customer secure online interface for subscription updates, is receiving upgrades, as part of the customer subscription model value-add and focus on growing subscriptions as part of the overall revenue. In the last couple of months, this included the addition of the [UAS Incident Platform](#) and the [3D Planning Tool](#) for customer sites
- Significant **cash balance of \$197 million** (as at 14 April 2025)
 - Allows for ongoing investment in the business to enable growth in a rapidly changing C-UxS sector, attracting employees, considering acquisitions and allowing long term planning
 - DroneShield has a simple, clean balance sheet with no debt, and is using stock options to create alignment between its employees and shareholders
- Ongoing significant investment into the next generation of technologies
 - As described in the [last 4C](#), DroneShield believes that radiofrequency will remain the core sensor and effector mechanism as the drone technology evolves. Where the customer has “detect all drones no matter what they could be” requirements and a sufficient budget, DRO acts as an integrator, adding third party sensors and effectors into a single system package (customers do not wish to buy “lots of boxes” and therefore rely on an integrator). Over time, DRO may add some of these alternative detection and defeat technologies into its own portfolio
 - DroneShield has a number of next generation products due for 2026 release. Utilising its knowledge over the last decade as a pioneer in the C-UxS sector and its substantial engineering team, DroneShield expects to provide hardware platforms that service the market for years to come, with regular software updates on a subscription (SaaS) basis
 - The product releases are staggered. During 1Q2025, two minor hardware releases were launched in response to market demand for new variants of DroneGun Mk4 and RfPatrol Mk2
- Baseline fixed cash operating costs (excludes variable cash operating costs of inventory and sales commissions) is approximately \$6.5 million a month
 - Cash operating costs for 1Q2025 had several one-off items that are not expected to recur on a run-rate basis.
 - These included external recruitment fees, which are anticipated to decline as the Company slows its headcount growth and has set up a small established internal recruitment team to reduce reliance on external agencies.
 - Additional non-recurring expenses included consulting and legal fees related to employment setup in new regions, as well as costs associated with the implementation of new ERP and CRM systems to support future scalability
 - Cash operating costs are lower on a P&L basis due to the capitalisation of R&D expenses. In 1Q2025, \$3.2 million in R&D was capitalised (refer to section 2.1(f) of this 4C), reflecting the long-term nature of these investments and the expectation of future economic benefits.
- DroneShield is **well placed to deliver on short notice**, with \$70 million of inventory by book value, including both completed and in-progress units – the sale value is substantially higher
 - Inventory is projected to remain in line with current levels
 - Technology obsolescence is managed by providing quarterly AI software updates to a number of products, as well as forecasting inventory requirements by comparing sales pipeline vs the timeframe of release of the next generation of hardware across its products
 - The reason for the level of inventory and why the stock is not “built to order” is due to the hardware’s sophisticated componentry, which enables strong margins and differentiation, coupled with procurement and production lead times of 3–4 months. This ensures readiness to meet customer demands for immediate delivery

- **Robust pipeline of \$1.6 billion¹** (as of April 2025)
 - Corresponds to currently visible opportunities in 2025 and 2026, with more to be added (DroneShield's year-end is December)
 - Europe and Ukraine (24% of YTD revenue recognised): the largest demand driver at present, following the surge in EU defence spending as Europeans have received a clear message from the US that they need to be self-reliant militarily, announcing a [EUR800bn "ReArm Europe" plan](#). DroneShield is planning to establish a European based manufacturing and sales hub, in addition to its existing Denmark-based sales team and a distributor network throughout the region. DroneShield is already active in the region, with the [\\$8.2 million contract](#) received in December 2024 and smaller contracts regularly received (the current DroneShield threshold for an announceable contract to ASX is \$5 million, representing approx. 10% of last year's revenue). In Ukraine, drones are continuing to play a major role in the war, with DroneShield targeting continued inclusion in foreign military aid package allocations
 - Asia (23% of YTD revenue recognised): Significant ramp up (especially countries neighboring China), as multiple Governments are commencing C-UxS programs against the threat of small Chinese drones conducting surveillance of sensitive areas, harassment and potential attacks. DroneShield received a [\\$32 million contract](#) on 14 April 2025, following on from the [\\$11.8 million contract](#) from the same customer on 29 January 2025
 - US (22% of YTD revenue recognised): The Trump administration recently announced a [US\\$1 trillion record defence budget](#), with drones and C-UxS as priority areas. The tariffs on shipments from Australia (where DroneShield manufactures its products) to the US are anticipated to be substantially passed through, reflecting the highly differentiated nature of its solutions. Although it has historically been DroneShield's largest market, this year the revenue split is expected to be more balanced percentage-wise., as European and Asian segments surge significantly. The current 145% tariff on Chinese imports into the US is expected to create significant interference within the US supply chain for DroneShield competitors, at least in the short term
 - Middle East (16% of YTD revenue recognised): opportunities mainly in integrated systems, however also with some standalone products. Run by a dedicated senior sales executive based in Abu Dhabi with a long track record of technology sales in the region
 - UK (10% of YTD revenue recognised): DroneShield has won several key contracts with the UK MoD to date, as it starts to ramp up its C-UxS capability. It currently operates via an exclusive partnership with BT (British Telecom), providing a substantial local presence and relationships. The UK Government is in the process of lifting its defence spending to 3% of GDP by 2029 from the current 2.3% - a significant 30% increase
 - Latin and South America (4% of YTD revenue recognised): is expected to be an increasing revenue segment, with the [\\$9.7 million contract](#) announced in January 2025. The regional business is led by a seasoned sales executive based in Mexico, previously with SpaceX
 - Australia (sub 1% of YTD revenue recognised): LAND156 program (rollout of C-UxS solutions across the Australian Defence Force) is the largest opportunity, where DroneShield is tendering across multiple packages. DroneShield has been [scaling up the strategic sophistication of its Australian operation](#) for programs like LAND156, including [the formal office opening by the Hon Pat Conroy](#), the Minister for Defence Industry and Capability Delivery and the Avalon Australian International Airshow [visit by the Hon Richard Marles](#), the Deputy Prime Minister and Minister for Defence
 - Airports are starting to display substantial interest in C-UxS. DroneShield has hired a seasoned ex-Smiths Detection sales executive based in Sydney who commenced in 1Q2025, to run its global airport strategy
 - Drone As First Responder (DFR) programs, where police or firefighting departments use drones to respond to an emergency, deploying the drone to the scene of the call, are starting to gather momentum. These rely on an eco-system including drone manufacturers, C-UxS companies such as DroneShield and specialist DFR software overlay businesses.

¹ There is no assurance that any of the Company's sales opportunities will result in sales.

DroneShield believes it is well placed for such initiatives, which will become a global phenomenon in 2-5 years and assist growth in the non-military markets

- With the larger C-UxS program acquisitions, the procurement times to award are longer for larger projects, due to additional probity requirements associated with larger deals. There are currently 10 separate sale opportunities, each in excess of \$30 million, in the sales pipeline²
- Current team of 306 staff includes **217 engineers** driving technology development with quarterly AI software updates and 2-3 yearly hardware development cycles
 - 330 staff planned by mid 2025
 - Recent hires are still ramping up, with productivity expected to increase as they become fully operational
 - DroneShield receives significant amounts of cutting-edge technology intelligence on drone trends from Ukraine, Middle East and elsewhere globally via its network of tier 1 customer and partner relationships
 - Includes on the ground European, Middle Eastern and Latin American sales staff
 - Australian deployments supported by several senior ex-ADF advisors as well as a senior in-house Government Affairs Advisor
- Manufacturing capacity to support up to \$500 million in annual revenue via the existing ~3,900sqm facility together with two outsourced manufacturing partners
 - Further information on the facility was shared in the last 4C

Payments to related parties of the entity and their associates

Board fees paid to Non-Executive Directors and salary to CEO amounted to \$349,233.

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

For enquiries, please contact:



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About DroneShield Limited

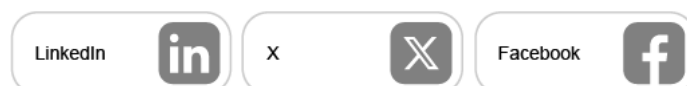
DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UxS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial,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

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

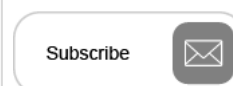
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For more information

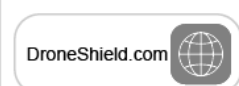
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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

31 March 2025

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
1.	Cash flows from operating activities		
1.1	Receipts from customers	16,832,076	16,832,076
1.2	Payments for		
	a) research and development	(1,858,318)	(1,858,318)
	b) product manufacturing and operating costs		
	<i>These costs correspond to more than the current period of sales, due to advanced inventory purchases</i>	(20,415,699)	(20,415,699)
	c) advertising and marketing	(3,999,614)	(3,999,614)
	d) leased assets	-	-
	e) staff costs	(8,818,638)	(8,818,638)
	f) administration and corporate costs	(2,303,794)	(2,303,794)
1.3	Dividends received	-	-
1.4	Interest received	2,891,594	2,891,594
1.5	Interest and other costs of finance paid		
	<i>Interest paid relating to the lease liability for DroneShield's Office lease in Virginia and Sydney.</i>	(189,689)	(189,689)
1.6	Income taxes paid	(20,003)	(20,003)
1.7	Government grants and tax incentives		
1.8	Other	27,115	27,115
1.9	Net cash from / (used in) operating activities	(17,854,970)	(17,854,970)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	a) entities	-	-
	b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
	c) property, plant and equipment <i>\$1.46m relates to leasehold improvements at DroneShield's Sydney premises. \$425k relates to production tools and \$822k relates to demonstration equipment. IT and office equipment contribute to the remainder of the balance</i>	(3,589,120)	(3,589,120)
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets <i>Intangible asset from capitalisation of development costs</i>	(3,194,989)	(3,194,989)
2.2	Proceeds from disposal of:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	-
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(6,784,109)	(6,784,109)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
3.9	Other <i>Lease incentive received of \$2.1m relating to DroneShield's Sydney Office and \$1.3m liability principal repayments relating to DroneShield's Office lease in Virginia and Sydney.</i>	846,270	846,270
3.10	Net cash from / (used in) financing activities	846,270	846,270
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	220,567,178	220,567,178
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,854,970)	(17,854,970)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,784,109)	(6,784,109)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	846,270	846,270
4.5	Effect of movement in exchange rates on cash held	(201,318)	(201,318)
4.6	Cash and cash equivalents at end of period	196,573,051	196,573,051

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	46,563,652	46,751,103
5.2	Call deposits	868,823	868,776
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	149,140,576	172,947,299
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	196,573,051	220,567,178

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1 <i>Payments to CEO and Non-Executive Directors</i>	349,233
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-

8.	Estimated cash available for future operating activities	\$A
8.1	Net cash from / (used in) operating activities (item 1.9)	(17,854,970)
8.2	Cash and cash equivalents at quarter end (item 4.6)	196,573,051
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	196,573,051
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	11
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 April 2025

Authorised by: Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.