



DRONESHIELD

Quarterly Report

For the date ending
30 June 2019



Image: DroneShield's RfOne and DroneCannon at a Thales testing facility

DroneShield Limited (ASX:DRO)

ASX Release

ABN 26 608 915 859

DroneShield Ltd (ASX:DRO) (“DroneShield” or the “Company”) is pleased to provide the following update on its activities during the three-month period ended 30 June 2019 and its Appendix 4C quarterly cash flow report for the same period.

While the March 2019 quarter was transformational for DroneShield because of the increase in the revenue experienced by DroneShield during that quarter, the most recently completed, June 2019 quarter continued this transformation, with DroneShield posting another increase in customer cash inflows. DroneShield’s trend of increasing quarter on quarter customer cash inflows started in late 2018 and continued during both the March 2019 and the June 2019 quarters. The growth in customer cash inflows in the June 2019 quarter has now established that the Company’s performance in the March quarter was not an aberration but rather represents a continuous trend of improved financial performance.

Financial Performance

Cashflows

The Company continues to receive record quarterly cash inflows, while achieving a number of its qualitative objectives and working on larger transformational contracts.

- ✓ ***DroneShield generated record-high total customer cash receipts of \$1,058,518 for the quarter.***
- ✓ ***A third consecutive quarterly increase in customer cash inflows.***
- ✓ ***The cash receipts flowed from multiple customers, and none of the cash receipts related to the \$3.2 million Middle Eastern sale announced in June 2018, demonstrating that the Company is not dependent on any one contract.***
- ✓ ***Net cash “burn” for the quarter was negligible at \$166,321, with the cash balance stable at \$1,561,961.***
- ✓ ***In advanced stages on multiple substantial contracts globally.¹***

DroneShield’s customer cash receipts increased from \$1,025,146 in the March quarter (and \$489,209 in the quarter before that), to \$1,058,518, a new record for the Company, in the June quarter. Additionally, during the quarter, DroneShield received approximately \$1,060,932 in grants, grant factoring and interest cash inflows, for a total of \$2,125,329 in aggregate cash inflows.

DroneShield thus generated more in operating cash receipts during the quarter than during the entire previous calendar year.

Importantly, virtually all of the customer cash receipts were from new contracts signed during the quarter, rather than contracts signed previously. None of the cash receipts related to the \$3.2 million Middle Eastern product sale announced to the market in June 2018, with approximately \$1.9 million remaining to be received under that contract (and the next progress payment expected to be received by the Company in July). This demonstrated that the Company does not depend on any one of its existing customers or contracts for revenue generation, and is broadening its revenue-generating customer base.

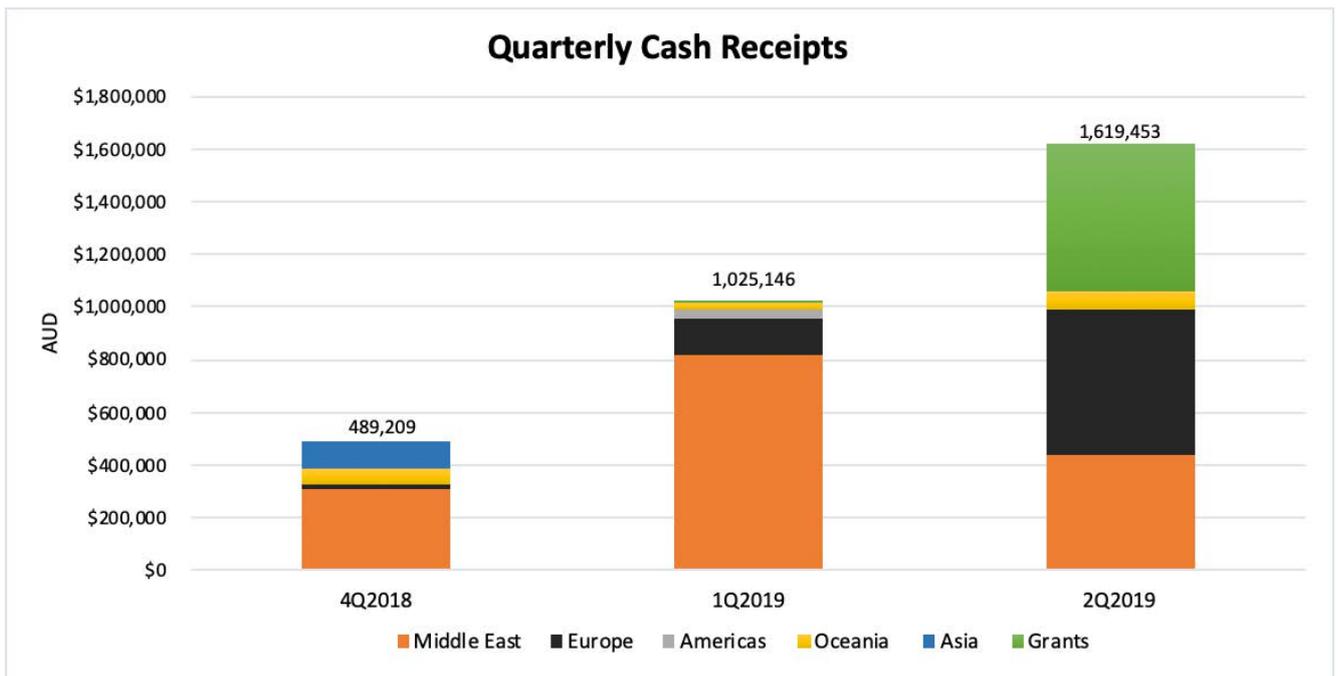
Importantly, the Company has also diversified its geographic customer mix. 81% of the March quarter cash inflows came from the Middle East, and Europe produced virtually no cash inflows for the Company during that quarter. In contrast, during the June quarter, European customers provided 52% of the customer cash receipts, while the Middle East remained at a healthy 41%.

The increase in the European business follows the establishment of DroneShield’s UK office. In its previous

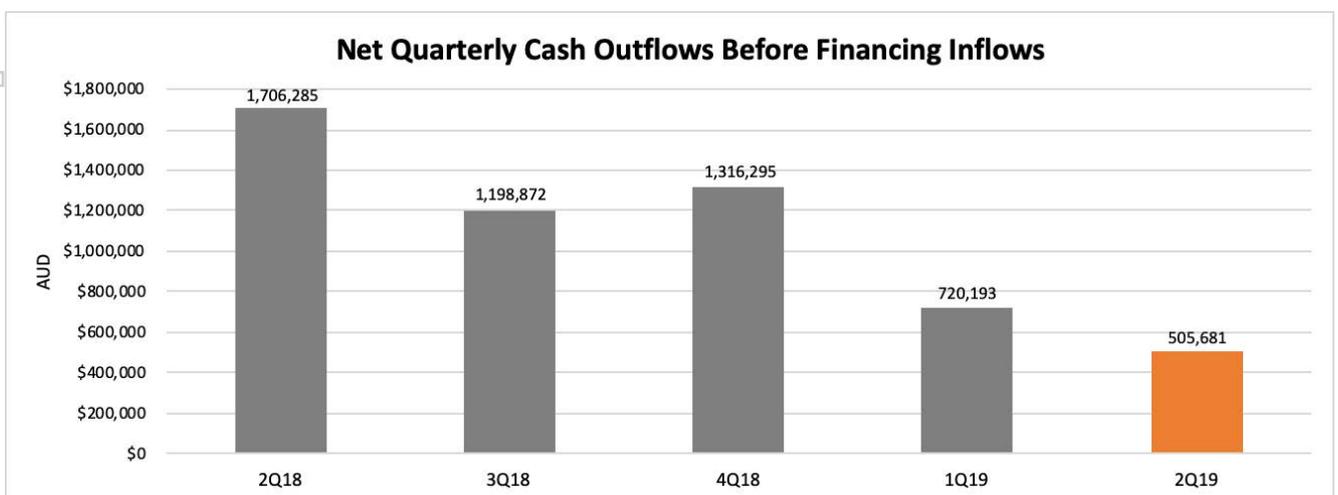
¹ Necessarily, not all, and there can be no assurance that any, of the Company’s sales opportunities will result in sales.

quarterly report, the Company stated that it was in advanced negotiations with a major European integrator concerning sales of DroneShield’s products to the integrator’s customers, and that the Company had commenced joint activities with the European integrator in anticipation of a formal execution of the agreement. That quarterly report also stated that the Company expected its relationship with the integrator to substantially increase the volume of its European business and activities.

The Company is currently in the final stages of completing the contractual negotiations with the European integrator and expects to release an announcement on this important agreement shortly. The integrator has already acquired and paid for some DroneShield product inventory which is included in the cashflow receipts during the quarter.



The March quarter saw the Company incur the lowest net cash outflows before financings of \$720,193 to that date. DroneShield continued to make substantial progress in this area, reducing the net cash outflow for the June quarter to only \$166,321 (the net cash outflow for the quarter before the financing proceeds from grant factoring was \$505,681).



As at 31 March 2019, DroneShield had a combined cash balance of \$1,728,282. As at 30 June 2019, DroneShield’s cash balance was substantially similar at \$1,561,961.

The Company's Chairman Peter James commented, "Over the course of the past three years, DroneShield has been instrumental in creating an industry where there was none before. I have been fortunate to be involved with several pioneers in new industries over the course of my career – from iiNet, which was one of the creators of the Australian Internet Service Provider industry, to Nearmap, which is transforming aerial imaging globally. Like those companies in their respective fields, DroneShield is now leading the industry that it has co-created, and we are working on further entrenching our competitive advantages."

The September Quarter

The June quarter gross cash outflow (before cash receipts from customers) was \$2,108,470. After customer receipts and grant and grant factoring receipts, the net June quarter cash outflow was reduced to \$166,321. Similarly, as is required by the Appendix 4C format, DroneShield has estimated a gross cash outflow of \$1,550,000 for the September quarter, however, this gross cash outflow estimate will not be reflective of the Company's net cash flows, which, after receipts from customers and grants/grant factoring, are expected to be substantially more positive than the gross cash outflow.

The Company presently has 24 staff across Australia, the US and the UK, including five full time sales and field support engineering staff, and 17 software and hardware engineers. The team is supported by a highly agile on-demand network of consultant engineers and laboratories, as well as over 100 in-country sales partners in over 70 countries globally.

This manufacturing structure and supply chain are highly scalable and able to respond to the significant surge in demand that the Company is pursuing. The Company achieved the improvements in the financial performance set out above, notwithstanding the above staffing levels and the establishment of substantial European operations.

Order Book

DroneShield is continuing to deliver on its existing growing order book, having signed several new contracts during the quarter, with delivery under way or completed. The orders set out immediately below are not sales leads in the Company's pipeline – rather, the order book immediately below sets out the executed, firm and unconditional purchase orders received from customers with contractually agreed payment timing, and payment for which has not yet been received by the Company either because the Company has not yet filled the order or because the Company has recently shipped the order and the payment is pending. These orders are in addition to the orders paid for during the June quarter or the current quarter.

Deal	Region	Remaining Contract Value (A\$)	Comments
1	Middle East	\$1,900,000	Amount that remains to be fulfilled and paid for from the previously announced \$3.2 mil contract. Next progress payment expected in July
2	Middle East	\$387,000	50% deposit (\$387k) paid during the quarter, remainder due during the current quarter, on delivery and commissioning
3	Central America	\$100,000	Payment expected in July
4	Australia	\$40,000	Payment expected in July
5	Middle East	\$25,000	Payment expected in July

DroneShield has recently announced to the market its partnerships with Thales, Collins Aerospace, STC Specialized and Zain, all large industry leaders either globally or in their respective regions. Importantly, DroneShield's major distribution partners, in both Europe and the Middle East placed orders for its products during the quarter, and are expected to drive additional orders as those large organisations mobilise their marketing efforts.



Image: South Korean Army Chief of Staff General Suh Wook reviews DroneGun Tactical™ at Defence Industry Fair 2019

Near-Term High-Conviction Pipeline

DroneShield continues to see a strong near-term sales pipeline. DroneShield has previously received an order for \$3.2 million of its products for a Middle Eastern Ministry of Defence end-user (announced to the market in June 2018).

✓ **Given the damage being inflicted by rogue drones on national infrastructure in the region, the same end-user has now indicated a potential contract in the \$60 million to \$70 million overall value range, and most importantly, has awarded DroneShield preferred bidder status²**

Deal	Region	Total expected contract value over time, if awarded (A\$) ²	Target timing to initial payment (if awarded)	Comments
1	Middle East	\$60mil - \$70mil	3 months	DroneShield has been awarded preferred bidder status. Same end-user as currently being delivered A\$3.2m order
2	Europe	\$4mil - \$5mil	1-2 months	DroneShield awarded preferred bidder status, finalising contract
3	Asia	\$5mil - \$10mil	2-3 months	Down-selected to 1-in-2. All evaluations completed by the customer
4	Europe	\$5mil - \$15mil	1-3 months	An agreement at advanced stage with a major European integrator to sell to their customers.
5	Middle East	\$5mil - \$15mil	2-4 months	A completed agreement with a major Middle Eastern integrator to sell to their customers
6	Middle East	\$3mil - \$4mil	3 months	DroneShield awarded preferred bidder status, finalising contract
7	Australia	\$500,000	3 months	Shortlisted, with the customer having already purchased a small initial quantity of products to test

The above pipeline excludes smaller (sub \$500,000) items and leads that are less probable at this stage or have an expected six month or longer timeframe to cashflow. There are numerous items of that nature, including highly probable near term smaller purchase orders. DroneShield has dozens of such opportunities in its pipeline across countries and customer segments, and new opportunities are being added weekly as the customer counterdrone requirements continue to escalate.

Revenue Model and Recurring Cashflows

Importantly, both fixed site (DroneSentinel™) and body-worn (RfPatrol™) drone detection products have a recurring revenue element in that the Company charges its customers for updates to the drone libraries of

² Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales.

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the products. Over time, DroneShield expects to build a robust recurring revenue line as more products requiring library updates are sold. With the drone defeat products (DroneGun™, DroneCannon™), while no system updates are required, government and military users generally tend to field a single brand of a product for operational reasons, hence once the initial tender is won with each particular customer, subsequent purchases are generally expected to be awarded on a direct basis.

Intellectual Property

DroneShield holds several current counterdrone patents and is progressing the registration process in relation to several additional patents.

The Company does not file patents for all of its inventions, due to the requirement to publish the “secret sauce” as part of a patent filing.

Competition

As the counterdrone space continues to rapidly grow, new entrants attempt entering the market. Broadly, they can be classified into three groups:

- “Mom and pop” garage businesses, which have no product or a concept, and are not being considered by the end users due to immaturity of their offering and their inability to support customers. This group is not considered a competitive threat.
- Large defence and security integrators. Those companies are potential partners for DroneShield, with the potential for them to add the Company’s products into their overall offering. Due to the rapidly evolving nature of the counterdrone industry and competitive pricing, the integrators generally choose to partner with smaller agile providers such as DroneShield. Over the recent months, DroneShield has established partnerships with several such companies, including Thales and Collins Aerospace, as previously disclosed to the market.
- Mid-sized companies. There are several such companies globally, however DroneShield continues to outperform its peers due to:
 - o Mature, highly innovative and well performing products – the Company has been in a number of competitive processes, having outperformed its peers in every evaluation it encountered.
 - o The number of high profile customer and integrator partner credentials, highlighting the quality of the DroneShield brand.
 - o A full suite of counterdrone products, meaning that the Company has the ability to sell to the need of every counterdrone customer – as opposed to being a single product company.
 - o A global network of 100 in-country partners in over 70 countries, as opposed to being more geographically narrow.

Marketing

During Q2, DroneShield (directly, and with its partners) participated in a number of high profile events focusing on various parts of its customer segments, including military and airports, such as:

- Defence Industry Fair - South Korea
- British Irish Airports Expo – UK
- LAAD - Brazil
- FINDEF – Spain

Moving forward, DroneShield has been confirmed for participation at MSPO in Poland and DSEI in London in September, both as part of Team Defence Australia stands, in the current quarter. It is also providing counterdrone protection as well as exhibiting at the F-Air Colombia Air Show on 11-14 July.

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Image: Team Defence Australia at IFSEC 2019, including DroneSentry™ in the background

DroneShield continues to represent thought leadership in the drone and counterdrone space, with invitations for speaking engagements such as the ACS event below, speaking alongside of its key target customers such as the Australian Army.



Image: ACS Defence Tech event

As a testament to the cutting edge design capabilities of the Company, DroneShield has been invited to have its DroneGun Tactical™ represented as the only counterdrone device at an armoury of the largest U.S.

provider of weapons for placement in movies. This arrangement is at no cost to DroneShield. The provider has supplied most of recent major Hollywood movies with weapons, such as “John Wick” and its sequels.



Image: DroneGun Tactical™ at a major US-based movie studio armoury

Movie and video game placements have generated customer orders for defence brands in the past, and DroneShield expects to benefit from any such publicity.

Partnerships

During and subsequent to the quarter, DroneShield continued to engage with its previously announced partners, Thales (Spain), STC Specialized (the Kingdom of Saudi Arabia) and Zain (Kuwait).

Additionally, during the quarter, the Company entered a Memorandum of Understanding (“MOU”) with Collins Aerospace Systems, a unit of the US\$110 billion United Technologies (NYSE: UTX), to collaborate on opportunities with the Australian military and globally, with a focus on adding DroneShield’s counter-drone capabilities to customers already utilising the broader surveillance systems produced by Collins Aerospace. Collins Aerospace is one of the world’s largest suppliers of aerospace and defence products. In Australia, it holds a number of current contracts within the Australian Defence Force. Separately at the same time, Collins Aerospace announced a merger with Raytheon (NYSE: RTN), a major U.S. defence contractor.

Certifications

During the quarter, DroneShield received a CE marking certification for its GPS SmartHub product (the hardware/software engine combining and powering multiple DroneShield sensors in an installation). It is currently progressing towards CE certifications towards several of its other products. CE certifications are required by certain non-military end users in Europe.

Also, DroneGun Tactical™ passed DREP, DRAM and DREC certifications in France as part of an ongoing procurement process for a large order.

Products

During the quarter DroneShield released RfPatrol™ – portable body-worn and completely passive drone detection device, and announced the first order delivered during the quarter to a Western military.



Image: RfPatrol™ body-worn drone detection device

Additionally, DroneShield is nearing a launch of another break-through complementary counterdrone product in response to customer demand in the current quarter, which is expected to be peerless and in high customer demand once launched.

In addition, DroneShield has continued to scale and incrementally improve its existing DroneSentinel™ and DroneSentry™ product lines. This has included the rollout of firmware version 1.1 of its DroneShieldComplete™ software for both product lines.

The enhancements include a number of features, such as pinpointing locations of pilots of detected drones. This allows for additional counterdrone procedures by customers, such as apprehending the pilots instead of neutralising the drones directly. This is expected to be of a substantial benefit for customers who are not legally able to deploy drone countermeasures, as well as enabling them to deal with the cause of the drone-related issues.

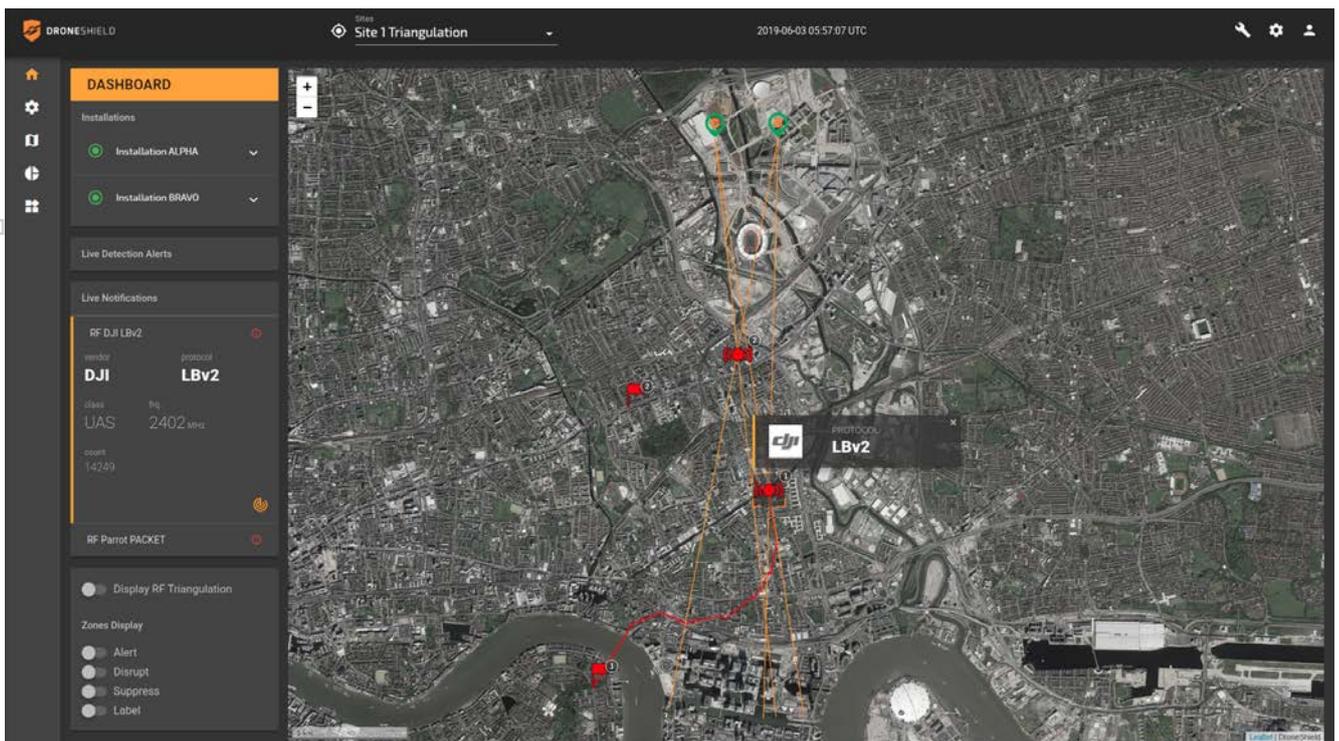


Image: DroneShieldComplete 1.1 firmware, showing pilot detection capability with flags

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Press Coverage

DroneShield continued to appear frequently in the news. Among the many press reports on DroneShield were the following:

- *Disabling drones is big business*³
- *The Next Big Privacy Concern is Up in the Air*⁴
- *Heathrow defence: Futuristic rifle can disable rogue flying drones in seconds*⁵
- *Unmanned Systems Asia 2019: DroneShield targets Asia-Pacific*⁶
- *DroneShield Powers Ahead in Latest Quarter*⁷
- *Drone defence: Are airports powerless to stop rogue pilots causing havoc? (Interview with DroneShield CEO Oleg Vornik)*⁸
- *DroneShield to Provide Counter-Drone Protection for F-Air Colombia 2019*⁹
- *DroneShield: Supplier of Drone Surveillance Systems Expand Partnerships in Spain*
- *Colombian air force calls in DroneShield protection at defence airshow*¹⁰
- *DroneShield continues its rapid growth trajectory with industry-leading counter-drone solutions*¹¹
- *Australian Firm [DroneShield] Releases Wearable Drone Detector*¹²
- *DroneShield to collaborate with Collins Aerospace on anti-drone tech*¹³

Environment

Drones and the dangers they pose continued to make headlines this recent quarter. Decision makers from various government agencies, and commercial enterprises that serve them, continued to increase their focus on drone countermeasures of the kind offered by DroneShield, as a result. In the recent months, the following incidents were reported:

- Drones continue to threaten militaries and public infrastructure. Governments around the world recognise that cheap consumer drones provide terrorist and criminal groups with a powerful and inexpensive avenue to mount explosives or conduct surveillance:
 - Multiple acts of 'drone terrorism' carried out by Iran-backed rebels caused damage to a Saudi Arabian oil pipeline, military airport and other critical infrastructure.
 - Reports emerged that a drone sighting at an RAF operating base forced a suspension of flying operations for over an hour.
 - A drone was illegally flown around Fenway Park Stadium during a Red Sox Baseball game, putting fans and players at risk.
 - After a drone was flown over Tokyo's Imperial Palace, the Japanese Government declared no-drone zones at Olympic sites, military facilities and other critical infrastructure.
 - Lawmakers in Texas unanimously voted in favor of a bill that introduced fines and jail time for flying drones near military bases.
 - Reports emerged that criminal groups have been using drones to watch horse races to gain an advantage over bookmakers who can only access delayed footage.

³ <https://ia.acs.org.au/article/2019/disabling-drones-is-big-business.html>

⁴ <https://www.wsj.com/articles/the-next-big-privacy-concern-is-up-in-the-air-11561042733>

⁵ <https://www.express.co.uk/news/world/1139062/Drone-Shield-Heathrow-Gatwick-hack-gun-rifle-army-military>

⁶ <https://www.shephardmedia.com/news/uv-online/unmanned-systems-asia-2019-dronesshield-targets-asi/>

⁷ <https://www.aumanufacturing.com.au/dronesshield-powers-ahead-in-latest-quarter>

⁸ https://www.nzherald.co.nz/travel/news/article.cfm?c_id=7&objectid=12222956

⁹ <https://uasweekly.com/2019/04/30/dronesshield-to-provide-counter-drone-protection-for-f-air-colombia-2019/>

¹⁰ <https://stockhead.com.au/tech/colombian-air-force-calls-in-dronesshield-protection-at-defence-airshow/>

¹¹ <https://www.proactiveinvestors.com.au/companies/stocktube/13186/dronesshield-continues-its-rapid-growth-trajectory-with-industry-leading-counter-drone-solutions-13186.html>

¹² <https://dronelife.com/2019/05/17/australian-firm-releases-wearable-drone-detector/>

¹³ <https://www.gpsworld.com/dronesshield-to-collaborate-with-collins-aerospace-on-anti-drone-tech/>



Image: Drone being flown illegally above Fenway Park during a Baseball game.

- Stories relating to the use of drones to smuggle drugs, weapons and cell phones into prisons and across state lines were frequently in the media:
 - A drone used for smuggling, along with contraband, was seized at maximum-security prison in Canada.
 - A mother-daughter team were arrested after using a drone to smuggle contraband into prison in Florida.
 - Human smugglers on the US-Mexico border were caught using drones as a surveillance tool to determine when there were no Border Patrol officers nearby.
 - A Border Patrol officer recovered a 'cartel drone' which was likely used for contraband delivery and surveillance at the US-Mexico border.

- Drones being flown near commercial aircraft have continued to disrupt operations at airports around the world, and close calls and collisions between drones and aircraft continue to rise following the major Gatwick events at the end of 2018. Airports, police, fire fighters and paramedics have all expressed concern:
 - Extinction Rebellion, a UK activist group, has threatened to shut down Heathrow Airport with drones - the first time an activist group has made such threat globally. The group is currently continuing to threaten to shut down the airport.
 - Frankfurt Airport, Germany's busiest, was shut down for an hour in May due to a drone sighting, forcing the cancellation of 143 flights.
 - Multiple flights were affected when a runway at Changi Airport (Singapore) was shut down for 10 hours due to a drone sighting.
 - Gatwick Airport again faced flight diversions and interruptions after reports of drones flying near the airport, making landing too dangerous.
 - A drone flying near a fire in Arizona's Coconino National Forest halted the aviation-based efforts of firefighters to contain the blaze.
 - A drone pilot intruded on Heathrow Airport's flight path in an attempt to get a better view of Prince Harry and Meghan Markle's new home.



Image: UK Police guard Heathrow Airport during an Extinction Rebellion protest. The group has threatened to shut down the airport using drones

Additionally, BBC has released an investigation into consumer drones called “Britain’s Next Air Disaster? Drones” which aired on 1 July 2019, highlighting the dangers of their use. DJI (the world’s largest manufacturer of consumer and commercial drones) has written a 2,500 word letter of protest in response.



Image: cover of the BBC “Britain’s Next Air Disaster? Drones” which aired on 1 July 2019

Please see <https://www.droneshield.com/press-coverage> and <https://twitter.com/DroneShield> for more information.

Other

Performance Shares

The 15,000,000 Class B and the 15,000,000 Class C performance shares that were outstanding at the beginning of the quarter lapsed on 21 June 2019 (their vesting / conversion milestones having not been met), and no performance shares were outstanding as of 30 June 2019 (and no performance shares were redeemed during the period). There are 193,378,776 ordinary shares on issue. No other class of securities (other than the options referenced below) exists.

Below table summarises current outstanding options, issued to the Board and management (aside from class O, issued to brokers as part of previous capital raisings):

Class	Amount Outstanding	Strike Price	Expiry
C	1,000,000	30c	29 Mar 2020
D	5,100,000	30c	22 Jun 2020
E	250,000	30c	29 Mar 2021
F	1,750,000	30c	22 Jun 2021
G	1,150,000	30c	29 Mar 2022
H	1,800,000	30c	22 Jun 2022
J	250,000	50c	22 Jun 2022
K	250,000	50c	22 Jun 2022
M	125,000	20c	22 Jun 2022
N	125,000	20c	22 Jun 2023
O	2,825,425	22c	21 Feb 2021
Zepos	23,459,384	Nil (exercise can take place only provided that the Company achieves \$10m in revenue in a 12 month period, or a takeover or a similar transaction occurs) ¹	15 Aug 2021 and 17 Oct 2021
<i>Total</i>	<i>38,084,809</i>		

¹ For full details refer to 2018 AGM

Further Information

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About DroneShield Limited

Based in Sydney (Australia), Virginia and Washington DC (USA) and London (UK), DroneShield is a worldwide leader in drone security technology. The Company has developed the pre-eminent drone security solution that protects people, organisations and critical infrastructure from intrusion from drones. Its leadership brings world-class expertise in engineering and physics, combined with deep experience in defence and intelligence.

ENDS

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DRONESHIELD LIMITED

ABN

26 608 915 859

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A	Year to date \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,058,518	2,076,660
1.2 Payments for		
(a) research and development	(181,752)	(414,063)
(b) product manufacturing and operating costs	(368,083)	(495,685)
(c) advertising and marketing	(231,821)	(402,712)
(d) leased assets	-	-
(e) staff costs	(728,645)	(1,369,301)
(f) administration and corporate costs	(427,507)	(809,544)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5,879	9,547
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	560,932	567,935
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(312,479)	(837,163)

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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(176,541) ¹	(380,159)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(176,541)	(380,159)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,299,696
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(5,060)	(85,780)
3.5	Proceeds from borrowings ²	500,000	500,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings ³	(155,580)	(155,580)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	339,360	1,558,336

¹ Primarily associated with the development of RfPatrol™, DroneSentry™ and DroneSentinel™ as well as purchases of office and lab equipment.

² The grant factoring facility previously announced to the market and further referenced under item 8 below.

³ The payments relate to (a) the termination fee in relation to the loan facility announced to the market in 2018 and (b) the grant factoring facility referenced above.

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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,728,282	1,229,499
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(312,479)	(837,163)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(176,541)	(380,159)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	339,360	1,558,336
4.5	Effect of movement in exchange rates on cash held	(16,661)	(8,552)
4.6	Cash and cash equivalents at end of quarter	1,561,961	1,561,961

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	1,338,187	1,204,489
5.2	Call deposits	223,774	523,793
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,561,961	1,728,282

6.	Payments to directors of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to these parties included in item 1.2	83,743
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Remuneration payments to CEO and Director fees to the Board.

7.	Payments to related entities of the entity and their associates	Current quarter \$A
7.1	Aggregate amount of payments to these parties included in item 1.2	189,330
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Consulting fees paid to Mounthaven Consulting LLC, an affiliate of substantial shareholder Long Hill Capital LLC; and a termination payment in relation to the loan facility announced in the December 2018 quarter, provided by Bergen Global Yield Fund LP, an affiliate of substantial shareholder Long Hill Capital LLC.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	650,000	500,000
8.2 Credit standby arrangements	nil	nil
8.3 Other (please specify)	nil	nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

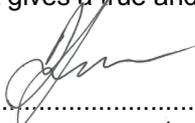
During the quarter, on 18 June 2019, the Company announced that it had entered into a non-convertible loan facility agreement with R&D Capital Partners Pty Ltd, providing the Company with the ability to receive funds equivalent to the majority of the Research and Development Tax Incentive expected by the Company, to be received from the Australian Government for the period ending 31 December 2019. A further \$150,000 is expected to be available for a drawdown if requested by the Company in 3Q2019.

9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	170,000
9.2 Product manufacturing and operating costs	210,000
9.3 Advertising and marketing	80,000
9.4 Leased assets	-
9.5 Staff costs	720,000
9.6 Administration and corporate costs	370,000
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,550,000

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

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

Sign here: 

Date: 10 July 2019

Print name: **Dean Jagger**

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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