

6 February 2023

ASX RELEASE

Completion of \$10.9 million Placement and SPP Launch

Not for release to US wire services or distribution in the United States.

Key Highlights

- DroneShield has successfully raised approximately \$10.9 million via a Placement which received strong support from more than 10 institutional investors from Australia and overseas.
- DroneShield is also undertaking a share purchase plan to raise up to \$3 million, providing the opportunity for all shareholders to participate in the capital raising.¹
- Post transaction pro forma cash balance of approximately \$27.2 million² will fund the build-up of inventory in response to recent and anticipated contract wins and the scaling of engineering, manufacturing and sales teams.
- Two record \$11 million orders received from two independent government defence departments in December and January.
- Approximately \$19 million of contracted orders for CY23 and in addition a cumulative sales pipeline of over \$200 million.
- Record \$16.9 million revenue (unaudited) for 2022 (up ~60% on previous record year), with expected strong 2023. DroneShield expects to be sustainably cashflow positive during 2023.
- Recently signed a strategic partnership and investment with Epirus - a high-growth US based defence technology Company – providing DroneShield with significant US cross-sell opportunities.

DroneShield Limited (Company) (ASX:DRO) is pleased to announce it has received firm commitments from sophisticated, professional and institutional investors to raise approximately \$10.9 million through a placement of approximately 36.3 million fully paid ordinary shares (**Shares**) at an issue price of \$0.30 per Share (**Placement**).

Oleg Vornik, DroneShield's CEO, commented: "This capital raise enables DroneShield to take full advantage of opportunities for rapid growth, following our two record \$11 million sales announced in December 2022 and January 2023, as the market demand for counterdrone equipment is rapidly heating up around the world. This is underpinned by rising defence and security budgets and an increasing role of drone technology in armed conflicts, terrorism and other nefarious applications. DroneShield welcomes the new domestic and international institutional investors to the Company."

Additionally, in recognition of the Company's retail shareholders, the Company is providing eligible shareholders with the opportunity to participate in a Share Purchase Plan to raise up to \$3 million (**SPP**). The new Shares to be issued under the SPP will be issued at \$0.30 per Share, the same price as the Placement. Each eligible shareholder will be entitled to apply for up to \$30,000 worth

¹ The Company reserves the right to scale back applications or increase the size of the SPP in its absolute discretion

² Cash balance of \$14.1 million as at 31 January 2023, plus placement proceeds of \$10.9 million and assumed SPP proceeds of \$3 million, less transaction costs

of Shares and the Company reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion.

Placement

The Placement will be completed without a prospectus with the Shares being offered and subscribed for by investors to whom disclosure is not required. The issue price represents a 18.9% discount to the closing price of DroneShield shares as at close of trading on Wednesday, 1 February 2023 and a 19.9% discount to the 5-day volume-weighted average price (VWAP) of the Company's Shares up to and including Wednesday, 1 February 2023. No shareholder approval is required for the Placement, as the Company will utilise its existing placement capacity under ASX Listing Rule 7.1. Shares issued under the Placement will rank equally with DroneShield's existing shares.

Settlement of the Shares under the Placement is expected to take place on Thursday, 9 February 2023, with allotment to occur on Friday, 10 February 2023.

Peloton Capital Pty Ltd and Bell Potter Securities Ltd have acted as Joint Lead Managers for the Placement.

Share Purchase Plan

In recognition of the Company's retail shareholders, the Company will also be providing eligible shareholders with the opportunity to participate in an SPP to raise up to \$3 million. The new Shares to be issued under the SPP will be issued at \$0.30 per Share, the same price as the Placement. Each eligible shareholder will be entitled to apply for up to \$30,000 worth of Shares and the Company reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion. DroneShield's chairman Peter James and CEO Oleg Vornik will be fully participating in the SPP to the maximum \$30,000 each.

The Company confirms that the Record Date for participation in the SPP is 7:00pm (AEDT), 3 February 2023 (**SPP Record Date**). Registered holders of Shares at the Record Date with a registered address in Australia, New Zealand, Hong Kong or Singapore will be eligible to participate in the SPP.

Full terms of the SPP will be announced and dispatched to eligible shareholders on or about 9 February 2023 with the closing date for acceptance of the SPP offer expected to be 2 March 2023. The SPP Shares will be purchased free of brokerage and no prospectus will be issued.

New Shares issued under the Placement and the SPP (together, the **Offer**) will rank equally with existing Shares on issue.

Use of Funds

Net proceeds raised from the Placement and SPP are currently expected to be used to fund:

- Increasing DroneShield's inventory on hand for rapid fulfilment of larger contracts;
- Scaling of DroneShield's engineering, manufacturing and sales teams;
- Expenses of the Offer; and
- General working capital.

Indicative Timetable

The timetable below is indicative only and subject to change. All times below are Sydney, Australia time.

Record Date for SPP	7.00pm (AEDT), 3 February 2023
Announcement of SPP and Placement and Appendix 3B	6 February 2023
Opening date for SPP and dispatch of SPP booklet	9 February 2023
Issue of Shares under Placement, Appendix 2A and Cleansing Notice	10 February 2023
Closing date for SPP	2 March 2023
Announcement of result of SPP	7 March 2023
Issue of Shares under SPP and Appendix 2A	9 March 2023
Quotation on ASX of Shares under the SPP	10 March 2023

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

Further Information

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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-UAS) 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 globally.

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