

22 April 2024

ASX Announcement

Completion of Upsized Underwritten \$100m Placement

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

Key Highlights

- DroneShield upsizes fully-underwritten two-tranche Placement from \$70 million to approximately \$100 million following strong support from existing and new domestic and international institutions and sophisticated investors.
- DroneShield is also undertaking a Share Purchase Plan (**SPP**) to raise \$5 million, providing the opportunity for all shareholders to participate in the capital raising¹.
- Post transaction pro forma cash balance of approximately \$161 million² will fund the build-up of inventory to support the strong pipeline of high-quality customer opportunities and the scaling of the engineering team to accelerate development of in-house artificial intelligence (**AI**) and machine learning (**ML**) engines and capabilities.
- Sales pipeline of over \$500 million with over 90 qualified projects at different stages with high quality government customers; \$27 million in contracted sales orders currently being fulfilled.
- DroneShield looking to capitalise on strong momentum experienced in the first quarter of 2024 and favourable geopolitical environment with the use of drones continuing to headline armed conflicts globally.
- Signing of NATO Framework Agreement for Counter-small UAS a significant milestone for DroneShield, with total order of magnitude of sales under the framework expected to be significant.
- Record \$55.1 million revenue for 2023 (up 226% on previous record year). Company has also now turned profitable, with profit after tax of \$9.3 million in 2023.

DroneShield Limited (ASX:DRO) (DroneShield or the Company) is pleased to announce that it has successfully completed the bookbuild of its approximately \$100 million fully underwritten two-tranche placement (**Placement**) of approximately 125.7 million new fully paid ordinary shares (**New Shares**) to eligible sophisticated, professional and institutional investors at a price of A\$0.80 per New Share (**Placement Price**). Tranche 1 of approximately \$70 million fully committed proceeds and 87.8 million New Shares will be completed pursuant to the Company's existing placement capacity under Listing Rule 7.1. Tranche 2 of approximately \$30 million and 37.9 million New Shares to be issued, subject to shareholder approval at an Extraordinary General Meeting (**EGM**). A notice of shareholder meeting will be sent to shareholders shortly.

In conjunction with the Placement, the Company will provide eligible shareholders with the opportunity to participate in a Share Purchase Plan to raise \$5 million¹ (**SPP**).

¹ The Company reserves the right to raise more or less via the SPP, but subject to a total maximum of \$15 million.

² Based on cash balance as at 31 March 2024 of \$56.4 million (which includes committed supply chain payments for inventory of \$35.4 million over the next 9 months), \$100 million in placement gross proceeds and \$5 million SPP gross proceeds.

Net proceeds raised from the Placement and SPP will fund the build-up of inventory to support DroneShield's strong pipeline of high-quality customer opportunities as well as the scaling of the engineering team to accelerate development of in-house artificial intelligence (AI) and machine learning (ML) engines and capabilities for enhanced detection, identification and response of drone threats. Detailed use of funds is outlined as follows:

Capital Raise Use Of Funds	\$M
Build-up of inventory to support strong pipeline of high-quality customer opportunities, including: <ul style="list-style-type: none"> • Handheld detection systems (RfPatrol Mk2) - \$31m • Handheld defeat systems (DroneGun Mk4 and DroneGun Tactical) - \$31m • On-The-Move systems (DroneSentry-X Mk2) - \$17m • Fixed site systems (RfOne, DroneCannon: components of DroneSentry) - \$1m 	\$80
Investment into artificial intelligence and machine learning Scaling of engineering team to accelerate development of in-house artificial intelligence (AI) and machine learning (ML) engines and capabilities for enhanced detection, identification and response of drone threats	\$10
Working Capital and Offer Costs	\$15
TOTAL	\$105

Note: This is a statement of current intentions only at the date of this announcement and DroneShield reserves the right to change the funding allocations across categories, subject to market requirements.

Oleg Vornik, DroneShield CEO, commented: "DroneShield would like to thank existing shareholders for their support, and welcome new shareholders on our register. We are well positioned to capitalise on the pipeline of opportunities, supported by the current tailwinds through drones being used extensively for nefarious purposes globally."

Bell Potter Securities Limited (**Bell Potter**) acted as the Company's corporate advisor and Bell Potter and Shaw and Partners Limited (**JLMs**) acted as Joint Lead Managers, Bookrunners and Underwriters to the Placement.

Peloton Capital Pty Ltd (**Peloton**) and Ord Minnett Limited (**Ord Minnett**) were Co-Managers to the Placement.

Settlement of tranche 1 of the Placement is expected to take place on 26 April 2024, with allotment expected to occur on 29 April 2024. Shares issued under the Placement will rank equally with DroneShield's existing shares.

Subject to receiving shareholder approval at the EGM to be held on or around Tuesday 11 June 2024, settlement of tranche 2 of the Placement is expected to take place on or around 14 June 2024, with allotment expected to occur on or around 17 June 2024.

DroneShield's ordinary shares are expected to resume normal trading on the ASX from market open today (Monday, 22 April 2024).

Proforma capital structure after the Placement is as follows:

DRO Shares on Issue	616.5m
Placement Shares to be Issued	125.7m
Shares on Issue (post-Placement)	742.2m
DRO Options on Issue ¹	57.6m
Fully Diluted Shares on Issue (post-Offer)	799.8m
Fully Diluted Equity Value	\$639.8m ²
Pro Forma Cash (excl. SPP proceeds) ³	\$156.4m
Debt	-
Fully Diluted Enterprise Value	\$483.4m

¹ Options issued at various strike price and maturities

² At the Offer Price of \$0.80 per share

³ Using 31 March 2024 cash balance of \$56.4 million and applying \$100 million Placement gross proceeds

Share Purchase Plan

In conjunction with the Placement, the Company will provide eligible shareholders with a registered address in Australia, New Zealand, Singapore, Switzerland, Hong Kong, the United Kingdom, Germany, the Netherlands or the United States (only to shareholders who are “accredited investors” as defined in Rule 501(a) of the US Securities Act of 1933) (**Eligible Shareholders**) the opportunity to participate in a non-underwritten share purchase plan. The Record Date for participation is 7:00 pm (AEST) on 17 April 2024. The SPP will raise \$5 million in proceeds, with the Company reserving the right to raise more or less, subject to a total maximum of \$15 million. The New Shares to be issued under the SPP will be issued at the Placement Price. Each Eligible Shareholder will be entitled to apply for up to \$30,000 worth of Shares at the Placement Price.

The SPP offer booklet (**SPP Offer Booklet**) containing further details of the SPP will be released separately and will be despatched to all Eligible Shareholders and is expected to be lodged with the ASX on 22 April 2024 with the closing date for acceptance of the SPP offer expected to be 5:00pm (AEST) on 10 May 2024. Eligible Shareholders wishing to participate in the SPP should carefully read the SPP Offer Booklet.

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 on 17 April 2024
Issue of SPP Cleansing Notice	22 April 2024
Opening date for SPP and dispatch of SPP Offer Booklet	10.00am on 22 April 2024
Settlement of Shares to be issued under tranche 1 of the Placement and lodgement of Appendix 2A	26 April 2024
Issue of Shares under tranche 1 of the Placement, lodgement of Cleansing Notice	29 April 2024
Dispatch of Notice of Meeting for EGM	7 May 2024
Closing date for SPP	5.00pm on 10 May 2024

Announcement of result of SPP	14 May 2024
Issue of Shares under SPP and lodge Appendix 2A	15 May 2024
Quotation on ASX of Shares under the SPP	16 May 2024
Despatch of holding statements in respect of Shares issued under the SPP	17 May 2024
EGM to approve tranche 2 of the Placement	On or around Tuesday 11 June 2024
Settlement of Shares to be issued under tranche 2 of the Placement (subject to the receipt of shareholder approval)	On or around Friday 14 June 2024
Issue of Shares under tranche 2 of the Placement (subject to the receipt of shareholder approval)	On or around Monday 17 June 2024

The above timetable is indicative only and subject to change. The commencement of trading and quotation of Shares issued under the Placement and the SPP is subject to confirmation from ASX. The Company reserves the right to alter the dates at its discretion and without prior notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth). In particular, the Company reserves the right to extend the closing date for the SPP, accept late applications under the SPP (either generally or in particular cases) and to withdraw or vary the Placement or SPP without prior notice. Any extension of the closing date for the SPP will have a consequential effect on the date for the issue of Shares.

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

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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.

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

Forward-looking statements

This announcement contains certain "forward-looking statements" including statements regarding the Company's intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations, financial condition, and risk management practices. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this announcement include statements regarding the outcome and effects of the Placement and the SPP and statements regarding the Company's future financial performance and results. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with an investment in the Company. Forward-looking statements involve known and unknown risks, uncertainties and

assumptions and other important factors that could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement.

Not an offer in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

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