

DRONESHIELD LIMITED

ACN 608 915 859

SHARE PURCHASE PLAN OFFER

The Offer closes at 5.00pm (AEST) on 10 May 2024 (unless extended before that time)

This is an important document and should be read in its entirety.

This document has been prepared by DroneShield Limited. The Offer is an initiative that provides Eligible Shareholders with the opportunity to purchase additional Shares at a discount without brokerage and transaction costs.

The Offer does not take into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder. Accordingly, before making a decision whether or not to accept the Offer, you should consult your financial or other professional adviser.

This document is not a prospectus or other disclosure document under the Corporations Act.

Not for release to US wire services or distribution in the United States except by the Company to Eligible Shareholders.

22 April 2024

Dear Shareholder,

Invitation to participate in Share Purchase Plan

On 22 April 2024, DroneShield Limited (ACN 608 915 859) (**DroneShield** or **the Company**) announced the completion of a \$70,221,532.80 placement of fully paid ordinary shares in the Company (**Shares**) to sophisticated, institutional and professional investors (**Tranche 1 Placement**) at an issue price of \$0.80 per Share (**Placement Price**) and a proposed further \$30,300,000 placement of Shares at the Placement Price, subject to Shareholder approval (**Tranche 2 Placement** and, together with the Tranche 1 Placement, the **Placement**). Further details in relation to the Placement, including the use of funds are set out in the investor presentation dated 18 April 2024 and the ASX announcements released on 18 and 22 April 2024.

The board of directors of the Company (**Board**) is pleased to offer Eligible Shareholders (defined below) an opportunity to participate in a share purchase plan (**SPP**). The SPP will provide all Eligible Shareholders with the opportunity to purchase Shares up to the value of \$30,000 at \$0.80 per Share (being the Placement Price), irrespective of the size of their shareholding, without incurring brokerage or transaction costs.

The offer under the SPP (**Offer**) is intending to raise a maximum of \$5,000,000 on the terms and conditions contained in this document (**Terms and Conditions**). The Company may elect to accept oversubscriptions, but subject to a maximum amount of \$15,000,000, or alternatively close the Offer early and/or scale back applications at its absolute discretion.

Shareholders eligible to participate in the SPP

Participation under the SPP is optional and is available exclusively to shareholders of the Company who are registered as holders of Shares at 7.00pm (AEST) on 17 April 2024 (**Record Date**) and whose registered address is 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**).

Share Purchase Plan

The SPP entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase Shares up to the value of \$30,000 at an issue price of \$0.80 per Share (**Price**) being the same price as the Shares offered under the Placement. The Price represents a discount of 18.9% to \$0.986 (being the volume weighted average market price (**VWAP**) of the Shares over the last five trading days on which sales in the Shares were recorded before the day on which the SPP was announced on 18 April 2024.

Whilst the Company intends to raise \$5,000,000 under the SPP, the Company reserves the right to accept oversubscriptions, but subject to a maximum amount of \$15,000,000, at its absolute discretion subject to shareholder demand and compliance with the ASX Listing Rules. In accordance with the ASX Listing Rules, the maximum number of Shares that can be issued under a share purchase plan is that amount equal to 30% of the Company's existing issued share capital.

Depending on applications received, the Company may, in its absolute discretion, undertake a scale back so that not more than \$5,000,000 is raised under the SPP. Scale back decisions are made by the Board and are final.

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The SPP will not be underwritten.

The directors of the Company who are Eligible Shareholders intend to participate under the SPP subject to the Listing Rules.

An application form for the SPP (**Application Form**) is available and accessible at the following link: <https://investor.automic.com.au>. Eligible Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) from their latest Holding Statement, and postcode, to access the Application Form.

Current activities

Details of the Company's current activities are set out in the announcements made by the Company to the ASX and are available from the ASX platform (ASX: DRO) at <https://www.asx.com.au/markets/company/DRO>.

Use of funds

The proceeds raised under the SPP and the Placement are intended to be utilised to build up the Company's inventory to support its strong pipeline of high-quality customer opportunities, invest in artificial intelligence and machine learning, pay the expenses of the Offer and for general working capital purposes.

How much can you invest?

Eligible Shareholders may each apply for Shares with a maximum value of \$30,000 and a minimum value of \$2,000 under the SPP.

How to accept this Offer

To apply for Shares under the SPP, please follow the instructions on the enclosed personalised Application Form. Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the SPP:

	Total amount payable	Number of Shares which may be purchased
Offer A	\$30,000	37,500
Offer B	\$25,000	31,250
Offer C	\$20,000	25,000
Offer D	\$15,000	18,750
Offer E	\$10,000	12,500
Offer F	\$5,000	6,250
Offer G	\$2,000	2,500

The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have selected by the Price, rounded down.

All payments in accordance with the options set out in your Application Form (**Application**) must be received by the **Closing Date of 10 May 2024**. If the exact amount of money is not tendered with your Application, the Company reserves the right to either:

- (a) return your application monies and not issue any Shares to you; or

- (b) issue to you the number of Shares that would have been issued had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application monies to you by electronic funds transfer as soon as possible, without interest.

The Company confirms that if the amount to be refunded is less than the issue price of one Share, being \$0.80, it will not be refunded and will be retained by the Company.

Once an Application has been made it cannot be revoked.

Multiple holdings

The maximum investment any Eligible Shareholder may apply for will remain \$30,000 even if an Eligible Shareholder receives more than one Offer (whether in respect of a joint holding or because the Eligible Shareholder has more than one holding under a separate account). It is the responsibility of the applicant to ensure that the aggregate of the application amount paid for the Shares the subject of the Application and any other shares and interests in the class applied for by you under the SPP or any similar arrangement in the 12 months prior to the date of submission does not exceed \$30,000.

Custodians and Nominees

Eligible Shareholders who hold Shares as custodian or nominee (**Custodian**) for one or more persons on the Record Date (**Beneficiary**) may apply for Shares up to a maximum amount of \$30,000 in respect of each Beneficiary who is resident in Australia, New Zealand, and Singapore, subject to providing a Custodian Certificate to the Company, as described in the Terms and Conditions. Please refer to the Terms and Conditions section of this document below for more details.

Custodians and Nominees may not distribute this document and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia, New Zealand and Singapore except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer.

Relationship of issue price with market price

On the last trading day immediately prior to the announcement date of the Offer, the closing price of the Shares traded on ASX was \$1.12. The market price of Shares in the Company may rise and fall between the date of the Offer and the date that any Shares are issued to you pursuant to your Application under the Offer.

By making an Application under the Offer and applying for Shares under the SPP, each Eligible Shareholder will be acknowledging that although the Price is at a discount, Shares are a speculative investment and the price of Shares on ASX may change between the date of the Company announcing its intention to make an offer and the date of issue of Shares under that offer and that the value of the Shares received under the SPP may rise or fall accordingly.

The Board recommends that you obtain your own financial and taxation advice in relation to the Offer and consider price movements of Shares in the Company prior to making an Application under the Offer.

Additional information and important dates

The offer of Shares under the SPP is made in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**ASIC CI 2019/547**) and therefore does

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not require a prospectus for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Offer cannot be transferred, and the directors of the Company (**Directors**) reserve the right in their absolute discretion to reject, or scale back, on an equitable basis, any Application. Shares issued under the SPP will be issued no more than five business days after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum amount proposed to be raised under the Offer is \$5,000,000. The Company, however, reserves absolute discretion regarding the final amount raised under the Offer subject to a maximum amount of \$15,000,000, subject to the ASX Listing Rules.

In the event of oversubscriptions by the Closing Date the Directors may, in their absolute discretion, scale-back applications on an equitable basis. Scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions, subject to a maximum amount of \$15,000,000.

If the Company rejects or scales-back an Application or purported Application, the Company will promptly return to the applicant the relevant application monies, without interest.

Foreign offer restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document relating to the Shares may not be issued, circulated or distributed, nor may such securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the **SFA**) or another exemption under the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. If you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire such securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice as such terms are understood pursuant to art. 35 of the Swiss Financial Services Act (FinSA) or the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority or authorized review body. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document may be distributed in Switzerland only to existing shareholders of the Company and is not for general circulation in Switzerland.

Hong Kong

WARNING: This document may be distributed in Hong Kong only to existing shareholders of the Company. This document may not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Hong Kong or used for any purpose in Hong Kong other than in connection with the recipient's consideration of the Offer.

You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

This document has not been reviewed by any Hong Kong regulatory authority. In particular, this document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong under Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.

United Kingdom

Neither this document nor any other document relating to the offer of Shares has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing shareholders of the Company. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **Relevant Persons**). The investment to which this document relates is available only to Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document.


European Union (Germany and the Netherlands)

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in any member state of the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4) of the Prospectus Regulation, an offer of Shares in each member state of the European Union is limited:

- (a) to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- (b) to fewer than 150 natural or legal persons (other than qualified investors); or
- (c) in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Investors in the Netherlands should note:

<p>Attention! This investment falls outside AFM supervision.</p> <p>No prospectus required for this activity.</p>	
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United States

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act of 1933 and applicable US state securities laws.

The Offer is being made in the United States only to a limited number of shareholders of the Company who are "accredited investors" (as defined in Rule 501(a) under the US Securities Act). In order to participate in the Offer, a US shareholder must sign and return a US investor certificate, together with an application form, that is available from the Company to confirm, amongst other things, that the US shareholder is an accredited investor.

Shortfall placement


The Company does not intend to place any shortfall under the Offer.

Indicative Timetable

Record Date for Share Purchase Plan	7:00pm (AEST) on 17 April 2024
Announcement of Tranche 1 Placement and Share Purchase Plan and lodgement of Appendix 3B	18 April 2024
Placement bookbuild opens	18 April 2024
Announcement of completion of Tranche 1 Placement and announcement of Tranche 2 Placement – trading halt lifted and trading resumes on ASX	22 April 2024
Issue of Cleansing Notice for Share Purchase Plan	22 April 2024
Dispatch of Share Purchase Plan Offer Booklet to Eligible Shareholders and release Share Purchase Plan Offer Booklet on the ASX platform	22 April 2024
Opening date for SPP	10:00am (AEST) on 22 April 2024
Settlement of Shares to be issued under the Tranche 1 Placement and lodgement of Appendix 2A	26 April 2024
Issue of Shares under Tranche 1 Placement and lodgement of Cleansing Notice	29 April 2024
Dispatch of Notice of Meeting for Tranche 2 Placement	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 Placement	11 June 2024
Settlement of Shares to be issued under the Tranche 2 Placement and lodgement of Appendix 2A	14 June 2024
Issue of Shares under Tranche 2 Placement and lodgement of Cleansing Notice	17 June 2024

Note: The above dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, Eligible Shareholders are encouraged to submit their Applications as early as possible.

Yours faithfully



Carla Balanco
CFO and Joint Company Secretary
DRONESHIELD LIMITED

DRONESHIELD LIMITED
ACN 608 915 859

Share Purchase Plan - Terms and Conditions

Purpose

The purpose of the Share Purchase Plan (the **SPP**), which will be conducted in conjunction with the Placement, is to offer shareholders of DroneShield Limited (**DroneShield** or the **Company**) the opportunity to acquire additional fully paid ordinary shares in the Company (**Shares**) up to a maximum value of \$30,000 (when combined with any Shares issued under any share purchase plan in the 12 months preceding the date of the SPP) and a minimum value of \$2,000.

The issue price of \$0.80 per Share under the SPP represents a discount of 18.9% to the volume weighted average market price of the Shares over the last five trading days on which sales in the Shares were recorded prior to the date the SPP was announced on 18 April 2024, being \$0.986.

The Company is intending to raise \$5,000,000 under the SPP with the ability to accept oversubscriptions, but subject to a maximum amount of \$15,000,000. The Shares will not attract brokerage costs and will be issued without the need for the Company to issue a prospectus. The SPP is governed upon such terms and conditions as the board of Directors, in its absolute discretion, sees fit.

No financial advice

This document does not provide financial advice and has been prepared without taking account of any person's investment objectives, financial situation or particular needs. You should consider the appropriateness of participating in the SPP having regard to your investment objectives, financial situation and particular needs. Shareholders should seek independent financial and taxation advice before making any investment decision whether to subscribe for Shares under the SPP.

Shareholders eligible to participate

Holders of Shares that are registered with an 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) A (**Permitted Jurisdictions**) at the Record Date are eligible shareholders (**Eligible Shareholders**) and may participate in the SPP, unless such registered shareholder holds Shares on behalf of another person who resides outside the Permitted Jurisdictions. Due to foreign securities laws, it is not practical for shareholders (or beneficial shareholders) resident in other countries to be offered the opportunity to participate in the SPP.

Participation in the SPP is optional and is subject to these Terms and Conditions. Offers made under the SPP are non-renounceable (i.e., Eligible Shareholders may not transfer their rights to any Shares offered under the SPP). Eligible Shareholders who wish to take up Shares offered under the SPP agree to be bound by the Company's constitution in respect of Shares issued under the SPP.

An offer may, at the discretion of the Directors, be made under the SPP once a year. The maximum amount which any shareholder may subscribe for in any consecutive 12-month period is \$30,000. The Directors may also determine in their discretion the minimum amount

for participation, the multiple of Shares to be offered under the SPP and the period the offer is available to Eligible Shareholders.

Custodians, trustees and nominees

If you are an Eligible Shareholder and hold Shares as a custodian (as defined in *ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (ASIC CI 2019/547)* (refer below) (**Custodian**) or in any more specific ASIC relief granted to the Company in relation to the SPP), you may apply for Shares up to a value of \$30,000 for each beneficiary for whom you act as custodian provided you complete and submit, together with an Application, a certificate (**Custodian Certificate**) with the following information:

- (a) that you held Shares on behalf of:
 - (i) one or more other persons that are not custodians; and/or
 - (ii) another custodian (**Downstream Custodian**) that holds beneficial interests in Shares on behalf of one or more other persons who are resident in a Permitted Jurisdiction, to which those beneficial interests relate,

(each a **Participating Beneficiary**) at the Record Date who have subsequently instructed you, and/or the Downstream Custodian, to apply for Shares under the SPP on their behalf;
- (b) the number of Participating Beneficiaries and their names and addresses;
- (c) the number of Shares that you hold on behalf of each Participating Beneficiary;
- (d) the number or dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through a Downstream Custodian, to apply for on their behalf;
- (e) that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act in addition to the application price for any other Shares issued to you as custodian (as a result of instruction given to you as Custodian or a Downstream Custodian) for that Participating Beneficiary under any arrangement similar to the SPP in the prior 12 months does not exceed \$30,000;
- (f) that a copy of the written Offer document was given to each Participating Beneficiary; and
- (g) where you hold Shares on behalf of a Participating Beneficiary indirectly, through one or more Downstream Custodians, the name and address of each Downstream Custodian.

For the purposes of ASIC CI 2019/547 you are a '**Custodian**' if you provide a custodial or depository service in relation to shares of a body or interests in a registered scheme and you:

- (a) hold an Australian financial services licence covering the provision of a custodial or depository service;
 - (b) are exempt from the requirement to hold an Australian financial services licence covering the provision of a custodial or depository service;
 - (c) hold an Australian financial services licence covering the operation of an IDPS or is a responsible entity of an IDPS-like scheme;
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- (d) are a trustee of a self-managed superannuation fund or a superannuation master trust; or
- (e) are a registered holder of shares or interests in the class and are noted on the register of members of the body or scheme as holding the shares or interests on account of another person.

If you hold Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an Application on behalf of Participating Beneficiaries. To request a Custodian Certificate and if you would like further information on how to apply, you should contact the Company's share registry at any time from 8.30am to 5.00pm (AEST time) Monday to Friday during the Offer period.

Custodians and Nominees may not distribute this document and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia, New Zealand and Singapore except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer.

The Company reserves the right to reject any Application to the extent it considers that the Application (whether alone or in conjunction with other Applications) does not comply with these requirements. The Company reserves the right to reject Applications in accordance with these Terms and Conditions.

Price of Shares

The issue price of Shares under the SPP has been set to match the issue price of Shares offered under the Placement.

The issue price of Shares to be issued under the SPP is \$0.80 which represents a discount of 18.9% of the volume weighted average market price for the Shares over the last five trading days on which sales in the Shares were recorded prior to the date the SPP was announced on 18 April 2024, being \$0.986.

The future market price of the Shares is uncertain and there is a risk that the market price of the Shares may rise or fall between the date of the Offer and the date when the Shares are issued to applicants under the SPP. Accordingly, the issue price you pay for Shares under the SPP may either be higher or lower than market price of the Shares trading on the ASX at the time the Shares are issued to you under the SPP. The market price for the Shares on the ASX can be obtained from your stockbroker or the ASX's website.

Applications and notices

At the discretion of the Directors, the Company will send Eligible Shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Shares under the SPP, and accompanied by these Terms and Conditions of the SPP and an Application Form. Applications will not be accepted after the Closing Date of the Offer being **10 May 2024**. Oversubscriptions to the Offer may be refunded without interest, if not accepted by the Company.

Notices and statements made by the Company to participants may be given in any manner prescribed by the Company's Constitution.

Acknowledgement

By completing an Application and making the associated payment in accordance with the options on your Application Form, you:

- (a) irrevocably and unconditionally agree to the terms and conditions of the SPP and the terms and conditions of the Application Form and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the SPP;
- (b) warrant that all details and statements in your Application are true and complete and not misleading;
- (c) agree that your Application will be irrevocable and unconditional (that is, it cannot be withdrawn even if the market price of the Shares is less than the Price);
- (d) warrant that you are an Eligible Shareholder and are eligible to participate in the SPP;
- (e) if you are in the United States, you are an "accredited investor" as defined in Rule 501(a) under the US Securities Act and have signed and returned to the Company a US investor certificate in the form attached to this document as Annexure A;
- (f) you understand that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act of 1933 and applicable US state securities laws;
- (g) acknowledge that if in future you decide to sell or otherwise transfer the Shares, you will do so in a regular way on ASX where neither you nor any person acting on your behalf know, or have reasons to know, that the sale has been pre-arranged with, or that the purchase is, a person in the United States;
- (h) acknowledge that no interest will be paid on any application monies held pending the issue of Shares under the SPP or subsequently refunded to you for any reason;
- (i) acknowledge that the Company and its officers and agents, are not liable for any consequences of the exercise or non-exercise of its discretions referred to in these Terms and Conditions;
- (j) acknowledge and agree that if you are acting as a trustee, nominee or Custodian, each beneficial holder on whose behalf you are participating is resident in Australia, New Zealand or Singapore, and you have not sent these Terms and Conditions, an Offer document, or any materials relating to the SPP, to any person outside such jurisdictions without the consent of the Company;
- (k) if you are applying on your own behalf (and not as a Custodian), acknowledge and agree that:
 - (i) you are not applying for Shares with an application price of more than \$30,000 under the SPP (including by instructing a Custodian to acquire Shares on your behalf under the SPP); and
 - (ii) the total of the application price for the following does not exceed \$30,000:

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- (A) the Shares the subject of the Application;
 - (B) any other Shares issued to you under the SPP or any similar arrangement in the 12 months before the Application (excluding Shares applied for but not issued);
 - (C) any other Shares which you have instructed a Custodian to acquire on your behalf under the SPP; and
 - (D) any other Shares issued to a Custodian in the 12 months before the Application as a result of an instruction given by you to the Custodian to apply for Shares on your behalf under an arrangement similar to the SPP.
- (l) if you are a Custodian and are applying on behalf of a Participating Beneficiary on whose behalf you hold Shares, acknowledge and agree that:
- (i) you are a Custodian (defined above);
 - (ii) you hold Shares (directly or indirectly) on behalf of one or more Participating Beneficiaries;
 - (iii) you held Shares on behalf of the Participating Beneficiary as at the Record Date who has instructed you to apply for Shares on their behalf under the SPP;
 - (iv) each Participating Beneficiary on whose behalf you are applying for Shares has been given a copy of this document;
 - (v) the application price for the Shares applied for on behalf of the Participating Beneficiary, and any other Shares applied for on their behalf under a similar arrangement in the previous 12 months (excluding Shares applied for but not issued), does not exceed \$30,000;
 - (vi) the beneficial holder you are applying for is in Australia, New Zealand or Singapore or such other jurisdiction as the Company may agree; and
 - (vii) the information in the Custodian Certificate submitted with your Application is true, correct and not misleading;
- (m) agree to be bound by the constitution of the Company (as amended from time to time);
- (n) acknowledge that none of the Company, its advisers or agents, has provided you with any financial product or investment advice or taxation advice in relation to the SPP, or has any obligation to provide such advice; and
- (o) authorise the Company, and its officers and agents, to correct minor or easily rectified errors in, or omissions from, your Application including the Application Form and to complete the Application by the insertion of any missing detail.

Placement of shortfall

The Company does not intend to place any shortfall under the Offer.

Issue of Shares

Shares to be issued under the SPP will be issued as soon as reasonably practicable after the Closing Date and in any event no more than five business days after the Closing Date.

All Shares issued under the SPP will rank equally in all respects with all other fully paid ordinary shares in the capital of the Company from the date of issue.

Holding statements or CHESS notification will be issued in respect of all Shares issued under the SPP. The Company will, promptly after the issue of Shares under the SPP, make an application for those Shares to be quoted on ASX.

Modification and termination of the SPP

The Company may modify or terminate the SPP at any time. The Company will notify ASX of any modification to, or termination of, the SPP. The omission to give notice of any modification to, or termination of, the SPP or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, the Company may issue to any person fewer Shares than the person applied for, or issue that person no Shares at all, under the SPP if the issue of Shares applied for would contravene any applicable law, ASIC requirements (including under ASIC CI 2019/547) or policy or any ASX Listing Rules.

Raising amount and scale back

While the Company is seeking to raise \$5,000,000 under the SPP, the Company reserves the right to accept oversubscriptions at its absolute discretion, but subject to a maximum amount of \$15,000,000.

The Company reserves absolute discretion regarding the final amount raised under the SPP subject to compliance with the ASX Listing Rules but subject to a maximum amount of \$15,000,000.

In accordance with the ASX Listing Rules, the maximum number of Shares that can be issued under a share purchase plan is that amount equal to 30% of the Company's existing issued share capital.

In the event of oversubscriptions, the Directors may, in their absolute discretion, increase the amount raised under the SPP (in accordance with the ASX Listing Rule parameters), but subject to a maximum amount of \$15,000,000, or alternatively scale-back all Applications on an equitable basis. If the Company rejects or scales-back an Application or purported Application, the Company will promptly return to the applicant the relevant application monies, without interest. Scale-back decisions are made by the Directors and are final.

Dispute resolution

The Company may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any participant, Application or Shares. The decision of the Company in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions. The powers of the Company under these Terms and Conditions may be exercised by the Directors or any delegate of the Directors.

Questions and contact details

Peloton Shareholder Services, who have been engaged to support the Company with the SPP, will be phoning Eligible Shareholders in Australia to discuss the offer with them. This conversation will be tailored to an Eligible Shareholder's unique circumstances and the size of their current investment, to help an Eligible Shareholder understand the relevance of the SPP to their own investment decision. Keep in mind all conversations (including written) with Peloton Shareholder Services are NOT personal advice. For questions relating to the SPP, 'how to subscribe', or your payment details, please email the team at shareholder@pelshare.com.au You can also contact Peloton Shareholder Services by phone on +61 401 639 114 (Stevan Adzic).

If you have any other questions regarding the SPP, please contact your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

DroneShield's share registry Automic is also available on 1300 429 201 (within Australia) or +61 2 7208 4523 (from overseas).

Eligible Shareholders in the United States, who are an "accredited investor" (as defined in Rule 501(a) under the US Securities Act) must email a US investor certificate (in the form attached as Annexure A) to submissions@automicgroup.com.au.

For personal use only

DroneShield Limited
U.S. Investor Certificate

The undersigned makes this certificate in connection with a subscription of ordinary shares (the "Shares") of DroneShield Limited, an Australian company (the "Company").

The undersigned certifies that he/she/it:

1. is an "accredited investor" within the meaning of Rule 501 (a) under the U.S. Securities Act of 1933 (the "Securities Act") and has indicated by tick mark on the reverse side of the U.S. Investor Certificate the basis for such status;
2. is acquiring the Shares for the undersigned's own account with the present intention of holding these securities for the purpose of investment and not with the intention of selling these securities in a public distribution in violation of the U.S. federal securities laws or any applicable state securities laws;
3. understands that:
 - (a) the Shares have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any U.S. state; and
 - (b) the Shares will constitute "restricted securities" with the meaning of Rule 144 under the Securities Act and, as such, the Shares cannot be transferred or sold unless they are (i) registered under the Securities Act; (ii) sold or transferred in a transaction exempt from registration under the Securities Act or (iii) sold outside the United States in compliance with Regulation S under the Securities Act, including in regular brokered transactions on the Australian Securities Exchange ("ASX");
4. confirms that:
 - (a) is knowledgeable in relation to the business of the Company and capable of evaluating the merits and risks of an investment in the Company's securities, including tax consequences of acquiring, owning or disposing of such securities and the implications if the Company is a "passive foreign investment company" (as defined in Section 1297 of the U.S. Internal Revenue Code of 1986) for U.S. federal income tax purposes;
 - (b) has been afforded access to information about the Shares and the Company, including a share purchase plan booklet and publicly available information that is available from the website of the ASX;
 - (c) understands that any purchase of the Shares involves a degree of risk; and
 - (d) is able to bear the economic risk of any investment in the Shares.

Name of Investor: _____

Signature: _____

Print name of person and title
(if investor is a legal entity): _____

Date: _____

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U.S. Certificate of Status as Accredited Investor

In connection with the receipt by the undersigned of ordinary shares in DroneShield Limited, an Australian corporation (the "Company"), the undersigned certifies he/she/it is an "accredited investor" as that term is defined in Rule 501(a) under the U.S. Securities Act of 1933 because the undersigned is (tick each applicable category):

Individuals

I am an individual and (tick one box):

- I have a net worth, or a joint net worth together with my spouse, in excess of US\$1,000,000.
- [In calculating net worth, you may not include equity in your primary residence. However, you should include the amount of any indebtedness secured by your primary residence in excess of its estimated fair market value. In addition, you may include equity in personal property and other real estate, cash, short-term investments, stock and securities. Equity in personal property and real estate should be based on the fair market value of such property minus debt secured by such property.]
- I had individual income in excess of US\$200,000 in each of the prior two years and reasonably expect an income in excess of US\$200,000 in the current year.
- I had joint income with my spouse in excess of US\$300,000 in each of the prior two years and reasonably expect joint income in excess of US\$300,000 in the current year.
- I am a director or executive officer of the Company.

Legal Entities

The undersigned is a legal entity and:

- The undersigned is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 and one or more of the following is true (check one or more, as applicable):
- the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser; or
 - the employee benefit plan has total assets in excess of US\$5,000,000; or
 - the plan is a self-directed plan with investment decisions made solely by persons who are "Accredited Investors" as defined under the U.S. Securities Act.
- The undersigned has total assets in excess of US\$5,000,000, was not formed for the specific purpose of acquiring the securities and is one or more of the following:
- an organization described in Section 501(c)(3) of the Internal Revenue Code; or

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a corporation or a Massachusetts or similar business trust; or

a partnership or limited liability company.

The undersigned is a trust with total assets exceeding US\$5,000,000 that was not formed for the specific purpose of acquiring the securities and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment in the securities.

All of the equity owners of the undersigned meet one of the tests set forth above. Please indicate the name of each equity owner and which test applies to each:

Name of Investor: _____

Signature: _____

Print name of person and title
(if investor is a legal entity): _____

Date: _____
