

17 October 2018

ASX RELEASE

Share Purchase Plan (SPP)

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DroneShield Limited ("**DRO**" or the "**Company**") is pleased to offer eligible shareholders the opportunity to apply for new, fully-paid ordinary shares ("**Shares**") in the Company ("**Offer**") under a Share Purchase Plan (the "**SPP**"). The Company intends to raise approximately \$750,000 under the SPP.

Funds raised under the SPP will be used towards expansion of the Company's sales and marketing efforts, further development of and improvements to products to accommodate specific customer requirements and general working capital.

The SPP provides the opportunity for eligible shareholders to subscribe for up to \$15,000 worth of Shares (under a range of amounts) each, without incurring brokerage or other transaction costs.

Patersons Securities Limited ("**Lead Manager**") has agreed to act as the lead manager. In the event that Eligible Shareholders do not subscribe for Shares under the Plan to the amount of \$750,000, the Lead Manager may place the resultant shortfall to its clients provided the shortfall does not exceed the placement capacity of the Company pursuant to ASX Listing Rules 7.1 and 7.1A ("**Shortfall Placement**"). If total applications from Eligible Shareholders under the Plan exceed \$750,000, the directors of the Company may, in their absolute discretion, accept or scale-back all applications on an equitable basis. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions and increase the size of the SPP (subject to compliance with the Corporations Act and ASX Listing Rules). The SPP is not underwritten.

The Shares under the SPP will be issued at A\$0.14 per Share, representing a 16% discount to the volume-weighted average market price ("**VWAP**") for the Shares calculated over the last 5 days on which sales in the Shares were recorded before the announcement of the SPP.

The Directors have determined that offers under the SPP will be made to eligible shareholders, being those who are the registered holders of Shares as at 7:00pm (Sydney time) on 16 October 2018 ("**Record Date**"), and whose address in the Company's register is in Australia or New Zealand.

The Company may, in consultation with the Lead Manager, elect to undertake a placement of additional shares at the same price as those under the SPP ("**Top-Up Placement**"). The maximum number of Shares that may be issued under the Top-Up Placement is equal to the Company's then placement capacity under ASX Listing Rules 7.1 and 7.1A which is currently 42,489,055 Shares, subject to compliance with the ASX Listing Rules.

The Lead Manager will be entitled to a fee of 6% of the gross amount placed by the Lead Manager under the Shortfall Placement and the Top-Up Placement, a management fee of \$7,500 plus one option to acquire a share (exercisable at \$0.22 on or before 14 June 2019 each) for every four shares placed by the Lead Manager.

Oleg Vornik, DroneShield's CEO, commented: "The pace of the Company's sales and marketing, and customers' adoption of the Company's products, globally, has accelerated substantially, with three orders for use by three governments – in Asia, Latin America and the West - received by DroneShield just in the

recent two weeks. This follows a \$3.2 million order for use by a Middle Eastern Ministry of Defence, which was approved by the US regulator last month. The Company is currently in a number of tender and other sales processes with a number of customers internationally. The proceeds of the SPP will assist the Company with an expansion of its marketing efforts as well as its working capital requirements while these tenders and sales processes run their course.”

Full details can be found in the accompanying offer document to shareholders, the SPP terms and conditions and the Application Form for eligible shareholders.

Further Information

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About DroneShield Limited

Based in Sydney, Australia and Virginia, USA, DroneShield is a worldwide leader in drone security technology. The Company has developed pre-eminent drone security solutions that protect 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, intelligence, and aerospace.

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