



DRONESHIELD



Artificial Intelligence For Multi-Mission C-UxS

Capital Raise Investor Presentation (ASX:DRO)

18 April 2024

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

Image: DroneSentry-X Mk2 on a vessel

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Investment Highlights



Leader in Counter-drone

World leading provider of state-of-the-art counter-drone solutions and electronic warfare systems used in a diverse array of critical end markets

Proprietary AI-based Platform

Full-scale hardware and SaaS offering used to detect, assess, and safely counteract threats from unmanned aerial systems

Geopolitical Environment Providing Tailwinds

Favourable environment providing tailwinds for DroneShield and underpinning rapidly rising counter-drone, defence and security spending globally

Large and Growing Market

Leverage to the global defence and security technology sector, including counter-drone, electronic warfare and defence AI markets

High Quality Sales Pipeline

Sales pipeline of over \$500m with over 90 qualified projects at different stages with high quality government customers; \$27m in contracted sales orders currently being fulfilled

Recurring Customer Base

Best-in-class customer base including the Australian Department of Defence, US DoD, US State Department and others

Rapidly Scaling Financial Profile

The business is at an inflection point, with a record \$9.3m in profit after tax in 2023, and significant momentum experienced in strong start to 2024 with numerous avenues for further growth

Funded for Growth

Capital raising to fund current sales pipeline; spending geared towards rapid scaling of inventory to meet high demand from global tier 1 customers

Executive Summary



DroneShield Overview	<ul style="list-style-type: none">• Founded in 2014 and listed on the ASX in 2016, DroneShield provides Artificial Intelligence platforms for protection against drones• Hardware and software to detect and safely neutralise small drones used for warfare, terrorism, contraband delivery, and airport disruptions• Key customers include military, intelligence community, Homeland Security, law enforcement, critical infrastructure, prisons and airports globally
Business Model	<ul style="list-style-type: none">• Three streams of revenue: hardware (drone detection and defeat devices), SaaS (device software updates) and R&D• Sales through an experienced in-house veteran salesforce with distribution partners across over 70 countries• SaaS is expected to become a significant proportion of overall revenue over the next 5 years• R&D contracts are adjacent to the core technology, and contribute advanced capability in-house
SaaS via Proprietary AI Software Engines	<ul style="list-style-type: none">• RFAI™ (radiofrequency spectrum engine), DroneOptID™ (optical AI engine), SFAI™ (sensorfusion AI engine)• The engines undertake real-time, at the edge, detection and identification of drones and other potential threats• The result is an increase in detection responsiveness, lower false positives and an increase in the speed at which new threats are detected, classified and tracked by DRO systems• Customers receive regular software updates via enrolling in a SaaS model at the time of purchase of their systems• All solutions except for radars and cameras hardware fully developed in-house, with no reliance on third party IP
Addressable Market	<ul style="list-style-type: none">• US\$10 billion worldwide addressable market• Rapidly improving and easily available drone technology is driving demand for counter-drone solutions• Current geopolitical conflicts make extensive use of drones by all sides
Growth Strategy	<ul style="list-style-type: none">• Today, over 75% of revenues is derived from defence• Defence, intelligence community and border security will continue to be the key focus, however there is a major opportunity for growth into civilian airports, critical infrastructure, prisons, stadiums and corporates
Capital Raising	<ul style="list-style-type: none">• DroneShield is raising approximately \$70 million via a fully underwritten share placement to institutional investors (Placement) and expects to raise an additional \$5 million via a non-underwritten Share Purchase Plan (SPP) to raise a total of approximately \$75 million (Capital Raise) (refer to page 21 for more detail)• Proceeds from the Capital Raise will be used to build up DroneShield's inventory to support its strong pipeline of high-quality customer opportunities as well as scaling the engineering team to accelerate development of in-house artificial intelligence (AI) and machine learning (ML) engines and capabilities

1Q24: Continuing the Growth



- 1Q24 revenues of **\$16.4 million, up 10x** vs 1Q23 (\$1.6 million)
 - Exceptional ongoing momentum, following reaching \$9.3m profit after tax in 2023
- 1Q24 customer cash receipts of **\$7.1 million**, up vs 1Q23 (\$7 million)
 - **Highest ever March quarter**
- The main difference between revenues and cash receipts in 1Q24 was due to US Government orders where deliveries took place in 1Q24, and payments due in 2Q24 (30 days past delivery), a substantial portion of which has now been received
- Strong start to 2024 given strong seasonality in revenues and cash receipts, with the March quarter being the slowest period
 - This is due to most payments being from US Government, with net30 payment terms (December and January being quieter months), hence only one “business as usual” month of February being captured under net30 in the March quarter cash receipts)
 - End of calendar year often corresponds to the start of a new budget cycle for many customers
 - Accordingly, the cost base of the business reflects annual rather than first quarter revenues
- 1Q24 SaaS revenues doubled to \$561k vs 1Q23 (\$239k)
 - Customers require Company’s AI software engines, upgraded quarterly, in response to a rapidly evolving drone threat
 - Additional SaaS based solutions planned for launch in the next 12 months
- **Cash balance of \$56.4 million** as of 31 March 2024, no debt or convertibles
 - Committed supply chain payments for inventory of \$35.4 million over the next 9 months
 - DroneShield hardware carries sophisticated componentry (which assists high margins and competitive differentiation), driving requirement for componentry purchasing in advance due to the build time
- **\$27 million** contracted backlog and pipeline of over **\$519 million¹** (as at 31 March 2024)
- **Ongoing investment into ready to sell inventory** during the quarter
 - Inventory book value of \$24 million at 31 March 2024 vs \$19 million at 31 December 2023
- Current **manufacturing capacity of \$400 million per annum**
- Favourable environment for DroneShield with rapidly rising counter-drone, defence and security spending globally
- **Signed NATO Framework Agreement a significant milestone**
 - DroneShield awarded first procurement framework agreement for C-UAS in NATO history
 - 3-year procurement framework agreement with extension options
 - Magnitude of sales under the NSPA framework over the initial 3 years is expected to be significant
 - Highlights drones continue to prominently headline in armed conflicts globally



Image: DroneGun Mk4

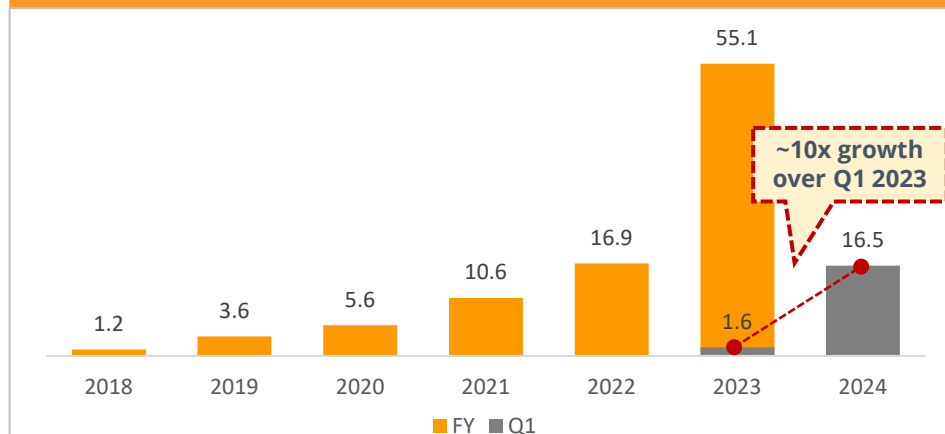
¹ There is no assurance that any of the Company’s sales opportunities will result in sales.

Rapid Profitable Growth (\$m, Dec YE)

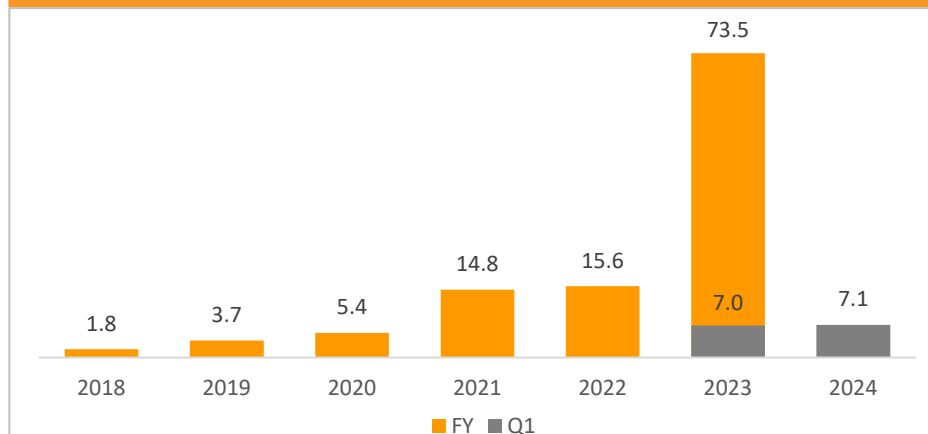


The business is accelerating its rate of growth, and is now profitable

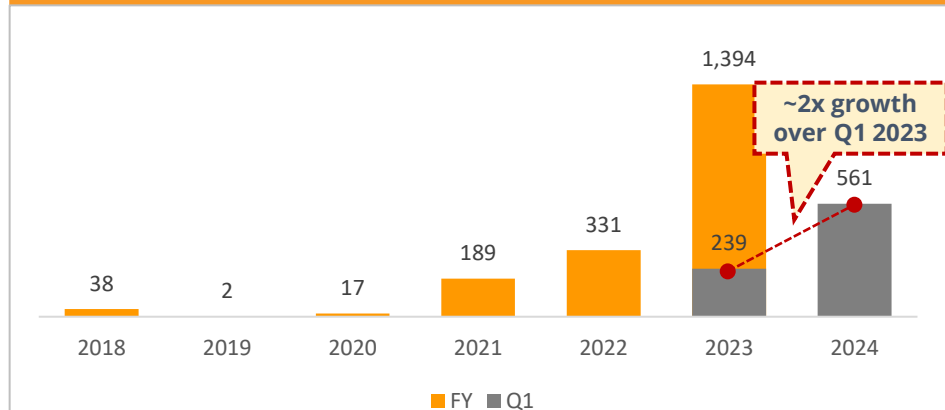
Strong Revenue Growth (\$m)



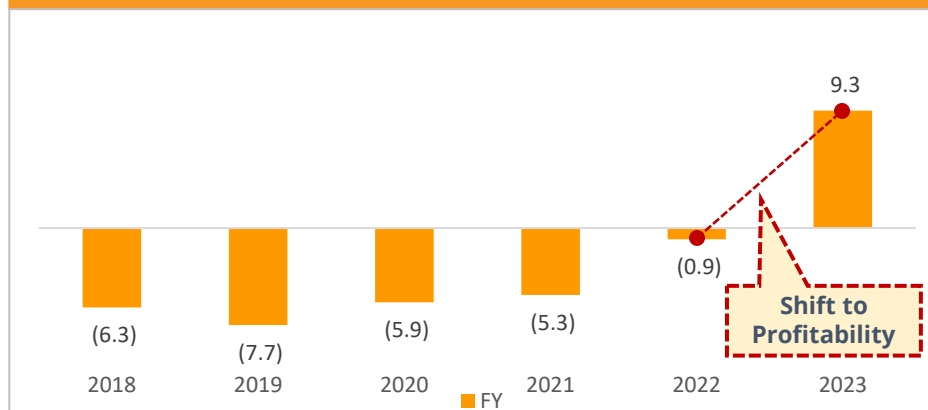
Cash Receipt Growth (Sales + Grants) (\$m)



SaaS Revenue Growth (\$000)



Profit After Tax (\$m)



SaaS model was fully introduced in 2021



C-UAS pioneer, full in-house suite of multi-mission products, culture of innovation and deep channels to market

Market leading, differentiated technology

✓ **All hardware (except radar and camera) developed and made in-house (with outsourced manufacturing to DRO’s specifications for large batches)**
- low in-house capex as heavy industrial work is outsourced at lower margins to DRO specifications

✓ **All SaaS software, including AI engines for RF sensors, cameras, sensorfusion; and EW work, done in-house**
- robust software and digital infrastructure to support enterprise grade software updates, monitoring and retrieval

✓ **95+ in-house engineers (out of team of 120) developing and integrating IP into product updates**
- FPGA, AI/ML, RF/waveform, data engineering, field service engineering, front-end, back-end, platforms, mechanical engineering, industrial design, UI/UX, and production engineers, quality managers

Global pioneer with strong team and brand

✓ **The original counter-drone pioneer, with a strong global brand and reputation for innovation and quality**

✓ **Experienced in-house veteran sales team (complemented by global distributor network)**

Complete product, integration and geographic coverage

✓ **Body-worn, vehicle/ship and fixed site systems**

✓ **Both integrator and sensor maker – can integrate third party sensors/actuators, and have its sensors easily integrated into larger systems**

✓ **Global presence in around 70 countries via experienced and trained distributor network**

✓ **Mature technology development roadmap executed by a seasoned counter-drone team, ensuring solutions adapt to counter-drone market shifts**

Numerous other differentiators

✓ **Substantial and growing in-house AI databases for RF, sensorfusion and optical/thermal AI**

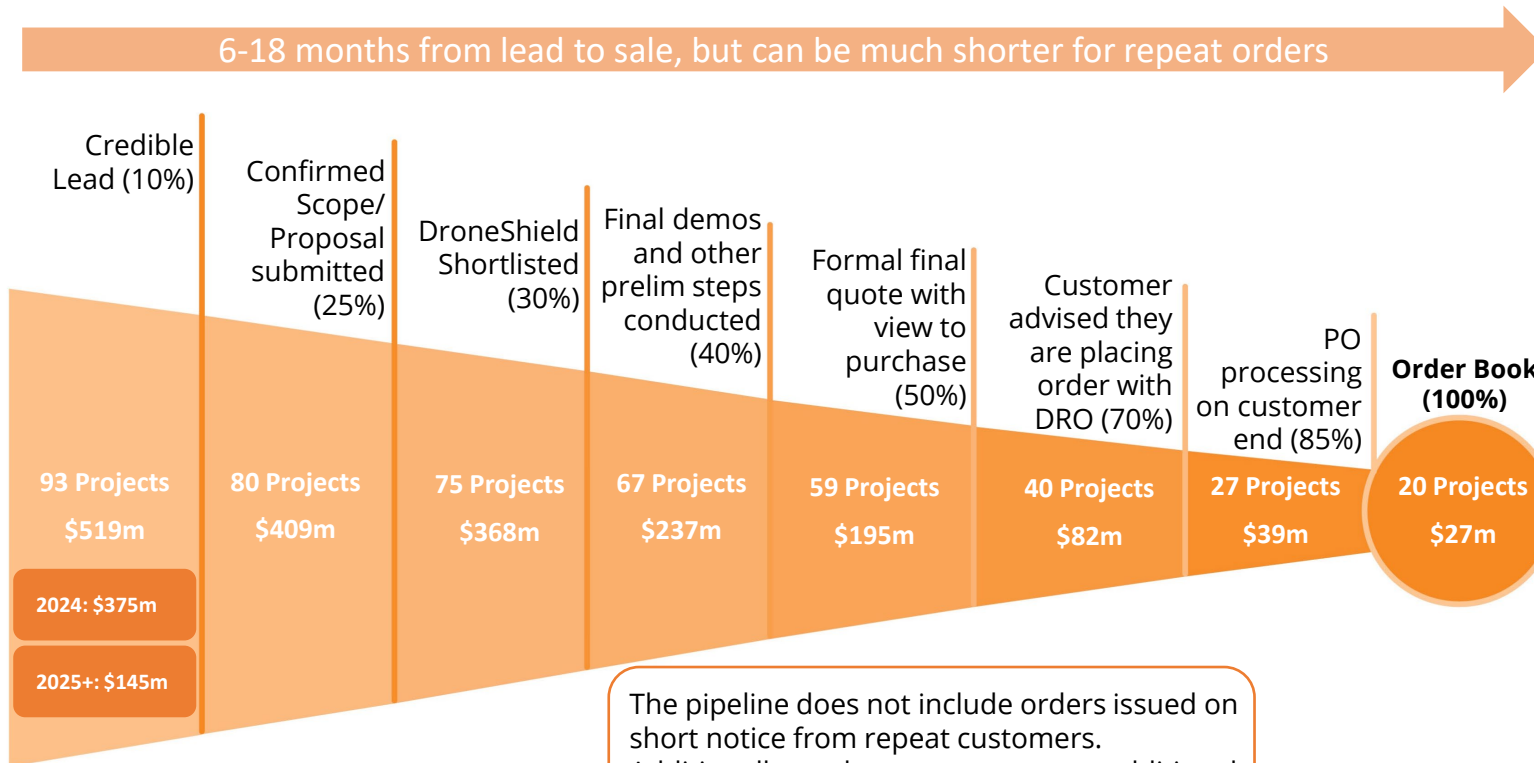
✓ **Deep sales pipeline and relationships with end users and channel partners, following multi-year nurturing and growth**

✓ **Security clearances, certifications, NATO Stock Numbers. Non-ITAR solutions**

Deep and High Quality Government Customer Pipeline (as at 31 March 2024)



Multiple projects at each development stage improve predictability of cashflows



The pipeline does not include orders issued on short notice from repeat customers. Additionally, as the year progresses, additional orders are likely to appear in the 2024 pipeline.

P-Go vs P-Win

Probability weighting on a project is a blend of

1. P-Go (deal going ahead on time, without material changes) and
2. P-Win (probability of the deal awarded to DRO vs competitor)

P-Go is managed by building proactive relationships with customers and having a large amount of projects on the go.

P-Win is generally exceptional, based on numerous product differentiators.

Notes:
The pipeline is cumulative – eg, the 80 projects at Confirmed Scope stage are included as part of the 93 projects at the Credible Lead stage
Order Book = current Purchase Orders (POs), less amount already paid to DRO (eg deposit) under those POs
There is no assurance that any of the Company's sales opportunities will result in sales

2024 Pipeline of \$375m, with a further \$145m of projects tracked for 2025+ (as at 31 March 2024)



USA continues to be the major contributor to the sales and is the primary focus for the business, however the global pipeline is also growing rapidly



USA

2024 Pipeline: \$226m / 43 projects

- Multiple military/Govt order discussions
- Well advanced on several major acquisition programs



Europe

2024 Pipeline: \$111m / 19 projects

- Well advanced on several major acquisition programs
- Diverse pipeline across countries, products and use cases



United Kingdom

2024 Pipeline: \$22m / 3 projects

- Sales associated with BT partnership
- Primarily Ministry of Defence focused



Australia

2024 Pipeline: \$4m / 5 projects

- Execution continues on the \$10m, 2 year DoD contract
- Substantial upside, not currently in the pipeline, from Government allocating funding towards C-UAS (such as LAND156) and additional Ukraine aid



Other

2024 Pipeline: \$11m / 14 projects

- Diverse range of geographic and product opportunities
- Middle East continues as an active focus, however conservatively small allocation in the pipeline

- 13 pipeline projects (across 2024) of over \$5m
- Several of these are estimated to be awarded in current quarter (note: Government contracts have delay risks)
- The largest 2024 pipeline project is \$77m
- The large projects are substantially US, UK and West Europe Governments as end customers
- DroneShield expects to secure several large framework purchasing agreements in next 12 months

Notes:

The pipeline includes existing defined sales opportunities at various stages of maturity
 The opportunities are unweighted, and measured as cash receipts to December 2024
 Quoted in Australian dollars. AUD.USD FX rate at 0.66, AUD.EUR FX rate at 0.61, AUD.GBP FX rate at 0.52
 Necessarily, not all, and there can be no assurance that any, of the Company's sales opportunities will result in sales

Explosive Growth Based on a Strong Foundation



2014-2017 Building the Foundation	2018-2022 “Green Shoots”	2023 Explosive Growth	2024-2028 Transforming to Next Level
<ul style="list-style-type: none"> • Setting up in Australia and US • ASX IPO (raising \$7m) • R&D and productizing the initial product family: <ul style="list-style-type: none"> - DroneGun Mk1 and Mk2 - Acoustic detection sensors • Team grows to 11 staff • Global partner network setup • C-UAS market in infancy • Customers demos, trials and initial smaller orders • From nil to \$300k/year annual revenue 	<ul style="list-style-type: none"> • Multiple \$1m+ orders • \$3.8m 2-year R&D contract • \$9.6m and \$17m capital raises, \$3.7m Epirus investment • Completing the product line-up: <ul style="list-style-type: none"> - DroneGun Tactical - RfPatrol Mk1 and Mk2 - DroneSentry-X - Refinement of DroneSentry - Introducing SaaS model • First-ever ACMA licence to manufacture jammers • Team grows to 60 staff • From \$1m to \$17m annual revenue 	<ul style="list-style-type: none"> • \$33m U.S. Govt sale • \$9.9m 2-year R&D contract • Numerous other multi-million contracts • \$40m capital raise in March 2023 to fund working capital and scale the team • 105 staff in Sydney and Virginia • Exploding market, with Ukraine highlighting the need for C-UAS products • \$30m order backlog • \$400m pipeline • First profitable year 	<ul style="list-style-type: none"> • 5-year target*: <ul style="list-style-type: none"> - \$300-\$500m annual revenue - 50% of revenue in SaaS and software R&D • This revenue is expected to be supported by 130-150 staff

* There is no assurance that any of the Company's sales opportunities will result in sales.

Geopolitical Environment Providing Market Tailwinds



Increased expenditure by Western Governments in response to small drones being used in virtually all conflicts globally

- Iran's current attack on Israel reportedly using over 100 drones (details being confirmed)
- US DoD proposed 2024 budget of over US\$840bn, a record peacetime amount¹
- Germany increasing spending to over 2% of GDP (from 1.53% in 2021), including a new EUR100bn fund to modernise military²
- Poland have announced a record 2023 Defence budget at 3% of GDP³
- Australia completed Defence Strategic Review (DSR), with expectations to increase the allocations to asymmetric, high-tech and greyzone warfare. The next step is the release of Integrated Investment Plan, which will lay out implementation blueprint of the DSR

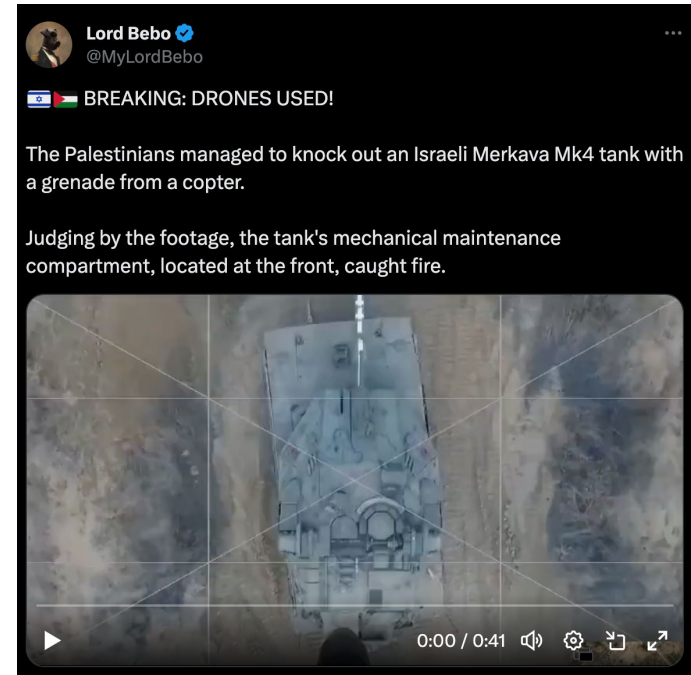
In Australia, the Government is seeking to rapidly grow sovereign defence capability, with several key focus areas directly matching DRO expertise, including counter-robotics, Electronic Warfare, and battlefield surveillance (ISR)

Record Defence and Security budgets, combined with a demonstrated use of drones in conflicts worldwide for payload delivery, directing artillery strikes, collecting field intelligence and general use, has put increasing focus on both drone and counter-drone systems for all major militaries

Increasing global tensions and use of drones across hot zones, including Ukraine, Hamas attack on Israel, and in the Armenia/Azerbaijan ongoing conflict

DroneShield is one of very few fielded and proven counter-drone systems with US DoD recommendations and based in Australia and US, hence well positioned to supply to Western allies

Combined, these factors are expected to lead to meaningful and consistent order flow for DroneShield across near and medium term



Iranian Shahed drones used by the Russian military

¹ <https://www.cbo.gov/publication/59511#:~:text=The%20proposed%20budget%20for%20DoD,2024%20in%20the%20previous%20FYDP.>

² <https://www.reuters.com/business/aerospace-defense/germany-hike-defense-spending-scholz-says-further-policy-shift-2022-02-27/>

³ <https://www.trade.gov/market-intelligence/polands-defense-spending>



DroneShield Overview

Market Pioneer in Counter-Drone Technology at the Forefront of Innovation



← Complete Multi-Mission Counter-Drone Arsenal with the Best Product for Every Scenario →

Body-Worn			Vehicle / Stationary			Fixed Site	
DroneGun Mk3	DroneGun Mk4	DroneGun Tactical	RfPatrol Mk2	DroneSentry-X Mk2	DroneCannon	RfOne	DroneSentry
2%	17%	41%	29%	6%	5%		
older model	% expected to rise in 2024	% to reduce, replaced by Mk4	% expected to stay stable	% expected to rise in 2024	Smaller amount due to fixed sites being a smaller market at present. This will rise as defence bases, airports, prisons and similar customers commence adoption		

2023 Revenue

Best in Breed, Proprietary Technology | Protecting Against a Wide Range of Threats | With An Established Competitive Moat

Best in Breed, Proprietary Technology

Multi-Sensor Detection, ID and Tracking

World Class Detection Range

World Class Defeat Range

Protecting Against a Wide Range of Threats

Aerial Vehicles

Ground Vehicles

Surface Vehicles

Underwater Vehicles

With An Established Competitive Moat

Veteran Sales Force with deep market experience and strategic expertise

Top Tier Customer Base with prestigious US DoD recommendation

World Class Engineering Talent with 85+ in-house innovators developing & integrating IP in-house

Software (SaaS and R&D contracts)

Electronic Warfare and SIGINT

RFAI (Radiofrequency AI engine)

DroneSentry-C2 (incl SensorFusion AI) and DroneOptID

Global Presence across ~70 countries via experienced and trained distributor network

Robust Credentials including security clearances, best-in-class certifications, NATO stock numbers

How a Counter-Drone System Works



DroneShield Performs all steps of the Process

Step 1

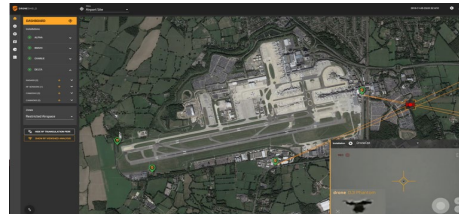
Detect



Bespoke sensor solutions provide optimal **Detection** and **Identification** of UAS threats

Step 2

Assess



Machine Learning and AI based detection and classification software is used to undertake near-real time tracking and **assessment** of drones and UAS threats

Step 3

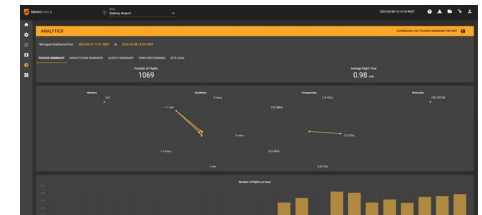
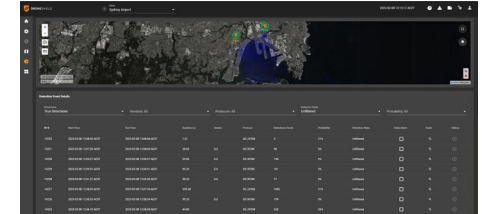
Respond



Respond / defeat technologies offer solutions for the controlled management of UAS threats

Step 4

Review







Review by visualizing event data and recorded information to harden systems and procedures against future threats

Counter-Drone Detection Solutions



DroneShield uses Multi-sensor Drone Detection for Optimal Results, Unaffected by time of Day or Weather






	Radio Frequency	Radar*	Cameras*	Acoustic*
Imagery				
Overview	<ul style="list-style-type: none"> • Foundational layer • Detects drone comms protocols (via conventional RF library or an AI engine) 	<ul style="list-style-type: none"> • Motion tracker - emits signals which are then reflected back to the radar by targets 	<ul style="list-style-type: none"> • Electro-Optical (EO), Infrared (IR) and Thermal • Video analytics and image capture identification of drone activity 	<ul style="list-style-type: none"> • Compares noise of drone blades or motor to a database of acoustic signatures
Advantages	<ul style="list-style-type: none"> ✓ No interference with other sensors ✓ Tracks multiple targets ✓ Passive – cannot be “seen” ✓ Low false alarm rate ✓ Direction-finding capability ✓ Long ranges ✓ Cost effective 	<ul style="list-style-type: none"> ✓ Picks up drones without RF emissions ✓ Tracks multiple targets 	<ul style="list-style-type: none"> ✓ Best used for verification, classification and tracking of a target detected by other sensors ✓ Potential identification of payloads ✓ Provides “eye on target” 	<ul style="list-style-type: none"> ✓ Passive, cost effective ✓ Supporting sensor, filling gaps from other sensors
Disadvantages	<ul style="list-style-type: none"> ✗ Doesn't pick up RF-silent drones ✗ Requires firmware updates 	<ul style="list-style-type: none"> ✗ False alarms (birds etc) ✗ Is “seen” as emits energy ✗ Longer range detection is expensive ✗ Struggles with hovering drones 	<ul style="list-style-type: none"> ✗ Not well suited for detection on its own due to field-of-view vs distance trade-off ✗ Short ranges 	<ul style="list-style-type: none"> ✗ Short range ✗ False alarms ✗ Cannot locate or track ✗ Requires signature database updates

* Third party hardware, integrated into DroneShield combined multi-sensor solution, with differentiated offering via AI-powered software layers

Counter-Drone Defeat Solutions



DroneShield uses smart jamming which has advantages over other technologies, particularly, in its use across civil and military applications, and does not compete against large Defence Primes

	Safe – “soft kill” <i>No intentional damage to the drone</i>		Exotic Tech, Limited Reliability	Kinetic – “hard kill” <i>Physical force used with potential for destructive damage</i>	
	DroneShield Offering				Large Defence Primes Dominance Area
	Smart Jamming	Spoofing/Cyber/ Protocol Manipulation	Counter-Drone Drones	Projectile Fire Kinetic Systems	Directed Energy (Laser or Microwave)
Imagery					
Overview	<ul style="list-style-type: none"> Radio waves force a drone to fly back, hover, or land 	<ul style="list-style-type: none"> Hijacks the control of a drone 	<ul style="list-style-type: none"> “Kamikaze” or “catching” drones 	<ul style="list-style-type: none"> Remote weapons systems shoot down drones 	<ul style="list-style-type: none"> Lasers and high-power microwave systems “dazzle” or destroy a drone
Advantages	<ul style="list-style-type: none"> ✓ Universal effectiveness ✓ 360-degree defeat coverage ✓ Effective against swarms ✓ Civil and military environments 	<ul style="list-style-type: none"> ✓ Allows for the re-routing and re-direction of malicious drone flight paths ✓ Applications in both civil and military environments 	<ul style="list-style-type: none"> ✓ “Catching” the drone is available to a wider range of customers 	<ul style="list-style-type: none"> ✓ Effective against Govt-grade drones ✓ Established technology for military operations 	<ul style="list-style-type: none"> ✓ Effective against Govt-grade drones ✓ Systems can be mounted on naval vessels for complex defence systems
Disadvantages	<ul style="list-style-type: none"> ✗ Potential for collateral interference (for a “dirty” jammer) 	<ul style="list-style-type: none"> ✗ Not effective against all drones ✗ Higher chance of collateral damage ✗ 30-90sec per drone to engage, can’t engage multiple drones same time 	<ul style="list-style-type: none"> ✗ Generally slow to deploy ✗ Not effective against swarms 	<ul style="list-style-type: none"> ✗ Collateral damage ✗ Unsuitable for use in a civil environment 	<ul style="list-style-type: none"> ✗ In early stages ✗ Only available for military applications

At a Critical Inflection Point, capitalizing on numerous Growth Vectors



Continue Market Leadership & Expand Wallet Share

- Leverage industry pioneer status to **deepen penetration in key markets**
- **Expand wallet share among existing clients** by embedding more solutions into key customer systems
- **Capitalize on U.S. DoD recommendation** and track record with other top customers to reinforce brand strength



Grow Adjacent Electronic Warfare (EW) Capabilities

- **Capitalize on the ~\$10m Five Eyes DoD contract** to enhance EW offering
- **Expand EW capabilities, utilizing software-centric approaches** to provide scalable and versatile solutions
- **Explore broader distribution opportunities** within the AUKUS alliance to enhance global reach in EW



Accelerate SaaS Subscriptions

- **Intensify focus on SaaS model** to drive recurring revenue through subscriptions
- **Expand userbase for key products:** RFAI and DroneSentry-C2
- **Leverage in-house AI & ML engines and capabilities** to continuously enhance threat detection & response, ensuring high customer retention



Expand into Adjacent Markets

- **Increase penetration in civilian sectors** such as airports, infrastructure, and facilities, where drone threats are escalating
- **Extend market reach into non-traditional sectors** like shipping points, first response, and prisons, where DroneShield's tech can add unique value
- **Capitalize on geopolitical tensions** to identify new markets for expansion



Strategic Alliances & Partnerships

- **Forge strategic alliances** with defence contractors and technology firms to integrate solutions into broader security systems
- **Collaborate with government bodies** for co-development projects
- **Pursue partnerships with private security firms** to expand the reach into commercial and VIP protection markets

Future Contracts



✓ 13 major (>\$5m) 2024 contracts representing >\$250M

✓ Initial contracts often serve as a foothold in forming lasting, high-sales-volume customer relationships

Exceptional Brand and Differentiated Market Position



Origin										
Integrator	✓	✓	✓	✓	✓	-	✓	-	-	-
DETECT										
Dismounted	✓	-	-	-	-	-	✓	-	-	-
Vehicle	✓	-	✓	-	-	-	✓	✓	✓	✓
Fixed Site	✓	✓	✓	-	✓	-	✓	✓	✓	✓
DEFEAT										
Dismounted	✓	-	-	✓	✓	✓	✓	-	-	-
Vehicle	✓	-	-	-	-	-	✓	✓	-	✓
Fixed Site	✓	✓	-	✓	-	-	✓	✓	✓	✓
COMMENTARY										
Platform information	<ul style="list-style-type: none"> ✓ Integrator via its Lattice platform • Substantially an integrator • Acquired AVT, a smaller integrator • Roll up by Highlander Partners of Liteye, Black Sage and Radio Hill (in Feb 24) • Integrator/C2 supplier, and handheld disruptors • Focus on law enforcement • Acquired Aerial Armor Jan 23 • Handheld Dronekiller jammer gun • Lacks a full product suite • Lower performance vs DRO • European customer focus • Handheld defeat is on-the-body based, creating potential issues • RF detect-and-defeat (via Citadel purchase) • LOCUST laser defeat • Acquired Verus Mar 23 • Offer an expensive, competing product to DroneSentry • Protocol manipulation – similar legal restrictions to jamming, less reliability, no swarm protection 									

DRONESHIELD

- ✓ Most extensive product range on the market
- ✓ Unrivalled versatility from handheld to fixed-site solutions
- ✓ Large IP portfolio and robust AI capabilities
- ✓ Battle-tested, superior performance

Note: Competitor analysis based on publicly available information



DRONESHIELD



Capital Raising

Capital Raising Overview



DroneShield is raising approximately \$75 million via an approximately \$70 million fully underwritten Placement and a non-underwritten \$5 million SPP

<p>Placement</p>	<ul style="list-style-type: none"> • Fully Underwritten Placement to raise approximately \$70 million under the company's existing placement capacity per LR7.1 ("Placement") • Approximately 87.8 million new fully paid ordinary shares in DRO ("New Shares") to be issued under the Placement, representing approximately 14.2% of DRO current shares on issue
<p>Share Purchase Plan</p>	<ul style="list-style-type: none"> • The Company intends to offer eligible shareholders the opportunity to participate in a Share Purchase Plan ("SPP") and apply for up to \$30,000 of New Shares, to raise up to an additional \$5 million • Record date for determining eligibility for the SPP is 7:00pm on Wednesday, 17 April 2024 • DRO reserves the right to increase the size of the SPP or to scale back applications in its absolute discretion • Further details in relation to the SPP including the timetable will be provided to eligible shareholders in an SPP booklet expected to be released following the Placement • The SPP is not underwritten
<p>Offer Price</p>	<ul style="list-style-type: none"> • New Shares issued under the Placement and SPP will be issued at a price of \$0.80 per new share ("Offer Price"), representing a: <ul style="list-style-type: none"> – 28.6% discount to the last close price on 17 April 2024 of \$1.12 – 18.9% discount to 5 trading day VWAP of \$0.986 – 15.0% discount to 10 trading day VWAP of \$0.941
<p>Ranking</p>	<ul style="list-style-type: none"> • All new shares issued under the Offer will rank equally with existing DRO shares from the date of issue
<p>Joint Lead Managers and Underwriters</p>	<ul style="list-style-type: none"> • Bell Potter Securities Limited ("Bell Potter") is acting as corporate advisor to the capital raising • Bell Potter and Shaw and Partners Limited ("Shaws") are acting as Joint Lead Managers and Underwriters to the Placement

Capital Raising and Use of Funds



PRO-FORMA FUNDING	\$M
Cash Balance ¹	\$56.4
Capital Raised ²	\$75.2
Pro Forma Cash Balance^{1,2}	\$131.6

¹ Cash balance as at 31 March 2024. Includes committed supply chain payments for inventory of \$35.4 million over the next 9 months

² Assumes placement of \$70.2 million and fully subscribed SPP of \$5.0 million, excluding offer costs



CAPITAL RAISE USE OF FUNDS	\$M
Inventory	
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) - \$22.5m • Handheld defeat systems (DroneGun Mk4 and DroneGun Tactical) - \$22.5m • On-The-Move systems (DroneSentry-X Mk2) - \$12.0m • Fixed site systems (RfOne, DroneCannon: components of DroneSentry) - \$0.5m 	\$57.5m
R&D	
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 UAS threats	\$7.5m
Working Capital and Offer Costs	
Working Capital and Offer Costs	\$10.2m
TOTAL	\$75.2m

Note: DroneShield reserves the right to change the funding allocations across categories, subject to market requirements

Offer Timetable



Indicative capital raising timetable¹

Date (AEST)

Record date for SPP	7:00pm, Wednesday, 17 April 2024
Trading Halt, Announcement of Capital Raising and Bookbuild Opens	Thursday, 18 April 2024
Trading Halt Lifted	Monday, 22 April 2024
SPP Information Booklet and SPP Acceptance Form Dispatched	Monday, 22 April 2024
Open of SPP Offer	Monday, 22 April 2024
Settlement of Institutional Placement	Friday, 26 April 2024
Allotment of New Shares under Institutional Placement	Monday, 29 April 2024
Close of SPP Offer	5:00pm, Friday, 10 May 2024
Announcement of SPP results	Tuesday, 14 May 2024
Settlement of funds for SPP	Tuesday, 14 May 2024
Allotment of New Shares under the SPP	Wednesday, 15 May 2024

¹ The timetable is indicative only and subject to change by the Company and Joint Lead Managers, subject to the Corporations Act and other applicable laws



Risk Factors

Key Risks



Business Strategy Risk	The Company's growth and financial performance is dependent on its ability to successfully execute its growth strategy. If the Company fails to execute on its business strategy, its business, financial condition and results of operations could be materially and adversely affected.
Future Profitability	The Company's business requires significant expenditure on marketing, business development and personnel, and substantial capital investment in production facilities. Accordingly, the Company may not maintain profitability and, to the extent such expenditure and investment continue, may suffer a shortage of working capital.
Counterparty Risk	The Company conducts a significant proportion of its business with customers outside of Australia. Risk arises from the Company's restricted ability and the cost of recovering payments in foreign jurisdictions. The Company mitigates this risk by generally requiring substantial or full payment prior to shipment of goods (with some exceptions of highly trusted customers, such as US Government agencies). However late payments, cancelled orders and bad debts may still occur.
Supply	The Company may experience delivery delays if its contract manufacturers fail to deliver products as agreed. The Company's products are manufactured by several key contract manufacturers, as well as (on a smaller scale, and for several product lines) the Company's facility. Any operational issues that impact manufacturers may affect the delivery of the Company's products. The Company depends on the contract manufacturers to adjust operations according to demand for each product to ensure no backlog in production. Risk arises from an undiversified set of key manufacturers, which may cause delays in delivery if a contracted manufacturer fails to deliver as agreed until the issue is resolved or a new contracted manufacturer is organised.

Key Risks (continued)



<p>Government Contracts</p>	<p>A portion of the Company's revenues may depend on the Company's ability to do business with the U.S. as well as foreign governments and their various agencies, whether directly or indirectly. Such customers may:</p> <ul style="list-style-type: none"> • award or terminate contracts at their convenience; • terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change; • cancel multi-year contracts and related orders if funds become unavailable; • shift their spending priorities; • adjust contract costs and fees on the basis of audits done by its agencies; • use and practice intellectual property developed in the performance of a government contract or subcontract; • claim rights to intellectual property not properly protected pursuant to applicable contract terms; • seek penalties and fines exceeding the value of a contract for contract activity that results in the submission of a false claim to the government; • debar the Company or its subsidiaries because of legal and other actions undertaken by or against the Company or its subsidiaries, the Company's officers, directors, shareholders, employees and affiliates, or convictions of the Company's officers, directors, shareholders, employees or affiliates; and • inquire about and investigate business practices and audit compliance with applicable rules and regulations.
<p>Product Liability</p>	<p>When developing and manufacturing new products, defects may arise in the Company's initial releases of the products. Defects could expose the Company to product liability claims or litigation, resulting in monetary damages being awarded against the Company. The Company uses contractual clauses to limit such risk; however, not all customers accept these standard clauses. Additionally, the Company has obtained insurance to limit this risk; however, liability from a defect could exceed the Company's insurance coverage.</p>
<p>Litigation</p>	<p>The Company is exposed to possible litigation risks including, but not limited to, intellectual property infringement claims, vendor and customer contractual and common law claims, environmental claims, occupational health and safety claims, and employee claims. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.</p>
<p>Government Legislation</p>	<p>Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire or operate economic interests may affect the viability and profitability of the Company. Also, some of the Company's products are highly regulated and may be affected by regulatory changes where its suppliers are located, or where it manufactures or it sells the products.</p>

Key Risks (continued)



Data Loss, Theft or Corruption	<p>The Company stores data in its own systems and networks and also with a variety of third-party service providers. Exploitation or hacking of any of these systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results.</p> <p>Further, if the Company's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure, which may lead to a decrease in the number of customers.</p>
Foreign Exchange	<p>The Company will be operating in a variety of jurisdictions (both its customer and its supply chain), including the United States of America and Australia. Consequently, fluctuations in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. For example, the appreciation or depreciation of the US dollar relative to the Australian dollar would result in a foreign currency gain or loss. Any depreciation of currencies in foreign jurisdictions in which the Company operates may result in lower than anticipated revenue, profit and earnings of the Company. Outside of Australia, the Company uses USD pricing for most of its products. Company's expenditure is mostly a mixture of AUD and USD.</p>
Accounting Standards and Tax Laws	<p>The Company operates in multiple jurisdictions with varied tax and reporting regimes. The Company is exposed to the risk of changes to accounting standards, applicable laws or their interpretation which may have a negative effect on the Company, its investments or returns to Shareholders including the risk of non-compliance with reporting or other legal obligations. Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns.</p>
Insurance Coverage	<p>The Company faces various risks in conducting its business and may lack or may not be reasonably able to obtain adequate insurance coverage. The Company has arranged and maintains insurance coverage for its employees (such as health insurance policies for some of its overseas employees, travel insurance, and workers compensation), public liability, professional indemnity, cyber liability, product liability, motor vehicle, marine cargo, Directors & Officers, and general liability covering office and contents; however, it does not currently maintain intellectual property or business interruption insurance. The Company will continue to need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected, including a material adverse effect on the business, financial condition and results of the Company. Additionally, any claim may cause the Company's premiums to rise or the Company to be uninsurable after the relevant policy period.</p>
Disputes	<p>The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes.</p>

Key Risks (continued)



Strategies	There are no limits on strategies that the Company may pursue. The strategy may evolve over time for reasons including but not limited to, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice. As a result, the strategy, approaches, markets and products at present may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company in the future. Further, a change in strategy may involve material and as yet unanticipated risks.
Research and Development and Technical Risk	The Company's products are the subject of continuous research and development and need to be substantially developed further in order to enable the Company to sell and subsequently support the products, and to meaningfully improve the products' usability, scalability, efficiency, and accuracy. There are no guarantees that the Company will be able to undertake such research and development successfully. Failure to successfully undertake such research and development, anticipate technical problems, or estimate research and development costs or timeframes accurately will adversely affect the Company's results and viability.
Technology Risk	The Company's market involves rapidly evolving products and technological change. To succeed, the Company will need to research, develop, design, manufacture, assemble, test, market and support substantial enhancements to its existing products and new products, on a timely and cost-effective basis. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot ensure that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.
Additional Requirements for Capital	The current funds held by the Company and to be raised under the Placement and SPP are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates to effectively implement its business and operations plans, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, or to meet any unanticipated liabilities or expenses which the Company may incur. The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programs and could otherwise impact adversely on the Company's operations, financial performance and financial position. Any additional finance may not be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to shareholders.

Key Risks (continued)



Financial Environment

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include:

- contractions in the world economy or increases in rates of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- international currency fluctuations and changes in interest rates;
- the demand for and supply of capital and finance;
- changes in government legislation and regulatory policy, including with regard to rates and types of taxation; and
- domestic and international economic and political conditions.

Additionally, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism, pandemics, political instability, or other illegal acts.

Key Risks (continued)



Intellectual Property Rights

A substantial part of the Company's commercial success is dependent on its ability to establish and protect its intellectual property, maintain trade secret protection, and operate without infringing third party rights. There can be no guarantee that the Company's patents are enforceable or that new patent applications will be granted in any jurisdiction. The commercial value of its intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of its intellectual property, or that any of the projects that may arise will have commercial applications. It is possible that third parties may assert intellectual property infringement, unfair competition or like claims regarding copyright, design, trade secret, patent, or other intellectual property rights. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations. Additionally, securing rights to or developing technologies complementing the Company's existing intellectual property will also play an important part in the commercial success of the Company. There is no guarantee that such rights can be secured or such technologies can be developed.



DRONESHIELD



International Offer Restrictions

International Offer Restrictions



Cayman Islands

No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

European Union (excluding Austria)

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 New Shares be offered for sale, in 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)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are “qualified investors” (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: 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 Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. 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.

International Offer Restrictions (Cont.)



New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New 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 or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares 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 “institutional investor” or an “accredited investor” (as such terms are defined in the SFA). If you are not such an investor, 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 New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

International Offer Restrictions (Cont.)



United Kingdom

Neither this document nor any other document relating to the offer 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 New Shares.

The New 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 “qualified investors” within the meaning of Article 2(e) of the UK Prospectus Regulation. 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 New 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 (“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.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New 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 New 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 and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to:

- “institutional accredited investors” within the meaning of Rule 501(a)(1), (2), (3), (7), (8), (9) and (12) under the US Securities Act; and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.



DRONESHIELD

Placement Agreement Summary

Placement Agreement Summary



DRO has entered into an underwriting agreement with the Joint Lead Managers in respect of the Placement (**Placement Agreement**). The Placement Agreement contains representations and warranties and indemnities in favour of the Joint Lead Managers. Details of the fees payable to the Joint Lead Managers are included in the Appendix 3B released to ASX on the date of this Presentation. A Joint Lead Manager may terminate its obligations under the Placement Agreement where:

- (a) any of the following occur:
 - (i) DRO fails to perform or observe any of its obligations under the Placement Agreement;
 - (ii) a representation or warranty made or given by DRO under the Placement Agreement is or becomes misleading or deceptive, or is not true or correct;
 - (iii) a certificate which is required to be furnished by DRO under the Placement Agreement when given is untrue, incorrect or misleading or deceptive;
 - (iv) there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or the Reserve Bank of Australia, or a governmental authority adopts or announces a policy which affects or regulates the Placement or its settlement or the issue or taxation treatment of the Placement Shares, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or governmental authority that such a law or regulation will be introduced or policy adopted (as the case may be);
 - (v) a change to the CEO or the CFO or the board of directors of DRO occurs;
 - (vi) there is an outbreak or a major escalation of hostilities (whether war is declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, any member state of the European Union, the United States, Russia, Ukraine, Israel, Iran or the People's Republic of China or the declaration by any of these countries of a national emergency or war, or a significant terrorist attack is perpetrated in any of those countries or any diplomatic, military, commercial or political establishment of any of these countries;
 - (vii) a general moratorium on commercial banking activities in Australia, New Zealand, the U.S or the People's Republic of China is declared by the relevant central banking authority in any of those jurisdictions or there is a disruption in commercial banking or security settlement or clearance services in any of those jurisdictions;
 - (viii) trading in all securities quoted or listed on the ASX, the London Stock Exchange, the Hong Kong Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect;
 - (ix) there is an adverse change or disruption to the existing financial markets, political or economic conditions of Australia, New Zealand the United Kingdom, the United States or the People's Republic of China, or any change in national or international political, financial or economic conditions; or
 - (x) any adverse change occurs, or there is a development involving a prospective adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of DRO and the Group (insofar as the position in relation to an entity in the Group affects the overall position of DRO), including any adverse change, or there is a development involving a prospective adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of DRO or the Group from those respectively disclosed in the documents issued or published by or on behalf of (with its prior approval) DRO in respect of, or relating to, the Placement or the offer booklet with respect to the SPP, including this Presentation and the accompanying ASX announcement (**Placement Documents**),

and the Joint Lead Manager has reasonable grounds to believe and does believe that such event (i) has had, or is likely to have, a material adverse effect on the outcome or success or settlement of the Placement or the ability of the Joint Lead Manager to market, or promote or settle the Placement or (ii) could give rise to or result in a contravention or involvement in a contravention by the Joint Lead Manager or one of its affiliates under the Corporations Act 2001 (Cth) (**Corporations Act**) or any applicable law;

Placement Agreement Summary (Cont.)



- (b) ASIC
 - (i) makes an application for an order under Part 9.5 of the Corporations Act in relation to the Placement;
 - (ii) commences, or gives notice of its intention to commence, any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Placement; or
 - (iii) otherwise issues proceedings in relation to the Placement or commences any formal inquiry or investigation into the Placement;
- (c) the S&P/ASX 300 Index is at a level that is 10% or more below its level as at the close of trading on the last trading day immediately prior to the date of the Placement Agreement and remains below that level at the close of trading on that business day at any time from entry into the Placement Agreement to (and including) 4.00pm on the date of settlement of the Placement;
- (d) ASX announces that DRO will be removed from the Official List or the Shares will be delisted, removed from quotation, withdrawn from admission to trading status or suspended from quotation (which, for the avoidance of doubt, does not include a trading halt requested to facilitate the Placement);
- (e) ASX notifies DRO or a Joint Lead Manager that unconditional approval (or approval conditional only on customary conditions which are acceptable to the Joint Lead Managers, acting reasonably) will not be granted to the official quotation of all of the Placement Shares on ASX;
- (f) DRO withdraws the Placement or the SPP;
- (g) any event specified in the timetable set out in the Placement Agreement is delayed for more than one Business Day without the prior approval of the Joint Lead Managers;
- (h) a certificate which is required to be furnished by DRO under the Placement Agreement is not furnished when required;
- (i) a Placement Document includes content that is or becomes untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission);
 - (i) in relation to the announcement released in conjunction with this Presentation or this Presentation, in any respect; or
 - (ii) in relation to any other Placement Document, in a material respect;
- (j) a member of the Group that is material in the context of the business of the Group is or becomes insolvent or there is an act or omission which is likely to result in such member of the Group becoming insolvent;
- (k) a director of DRO:
 - (i) is charged with an indictable offence or any regulatory body commences any public action against the director or announces that it intends to take any such action; or
 - (ii) is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;
- (l) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental authority which makes it illegal for a Joint Lead Manager to satisfy or prevents or materially delays the Joint Lead Managers from performing an obligation under the Placement Agreement; or
- (m) DRO or any of its directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent conduct or activity whether or not in connection with the Placement.

If a Joint Lead Manager terminates its obligations under the Placement Agreement, that Joint Lead Manager will not be obliged to perform any of its obligations that remain to be performed. Termination of the Placement Agreement could have an adverse impact on the amount of proceeds raised under the Placement.



DRONESHIELD



Appendices

Urgent Need for Counter-Drone Solutions Across Both Military & Civilian Sectors



The Rapid Proliferation of Drones has Escalated the Potential for Disruptive Incidents...



Payload Delivery



Intel Gathering



Swarms



Nuisance Activity



Cyber Attacks

Commercial Airspace



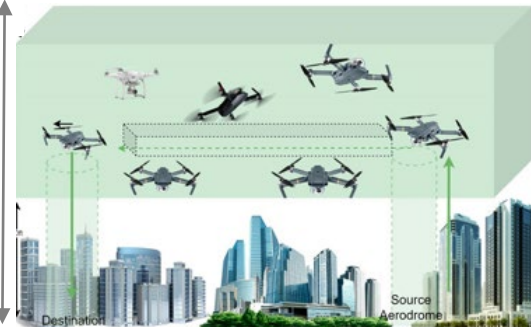
Deepening the Demand for Robust Countermeasures, Positions DroneShield for Sector-wide Market Capture with its Sophisticated, Proprietary C-UAS Solutions

Growing Counter-Drone Applications Across End Markets

UAM Corridor



Low-Level Airspace



Military



Government Facilities



Law Enforcement



Protective Details



Airports



Stadiums



Commercial Venues



Energy Production



High Profile Events



Shipping / LNG Ports



Rescue / Fire Response



Correctional Facilities



Benefits and Applications of Safe, Layered, Counter-drone Systems over Kinetic Systems



Safe Counter-drone Systems Have Many Advantages over Kinetic Counter-drone Systems, which are only Practical for Deployment in War-like Scenarios

Avoidance of Collateral Damage



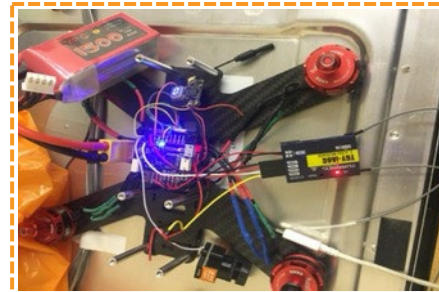
- DroneShield safe defeat solutions force drones to pre-set emergency protocols causing the drone to fly back to its starting point, hover, or land, safely neutralizing the threat
- Alternatively, kinetic solutions could see a destroyed drone fall on crowds of people or inflict “friendly fire” from projectiles

Evidence for Legal Prosecution



- A drone which has been forced to land can be collected by local law enforcement to track the whereabouts of its controller
- As drones are usually accompanied by an image recording device, this can be used as legal evidence to prosecute offenders

Intelligence Gathering



- Drones can often carry sensitive instruments or technology
- When forced to land, this technology can be exploited by military personnel to aid in intelligence gathering operations

Multi-Platform with Scale Benefits



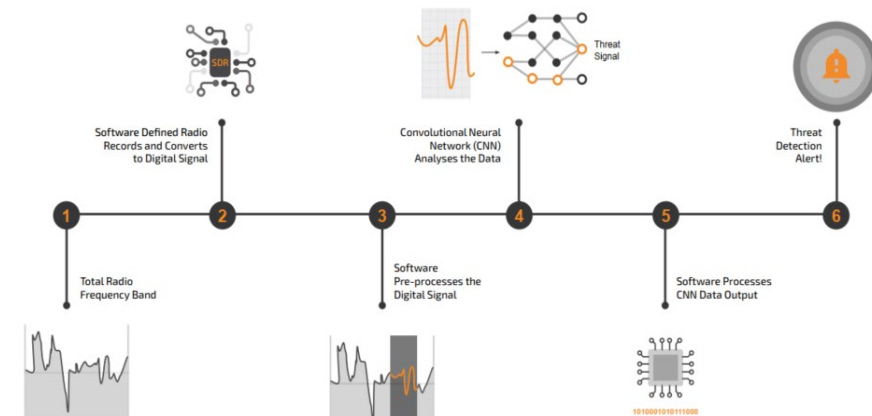
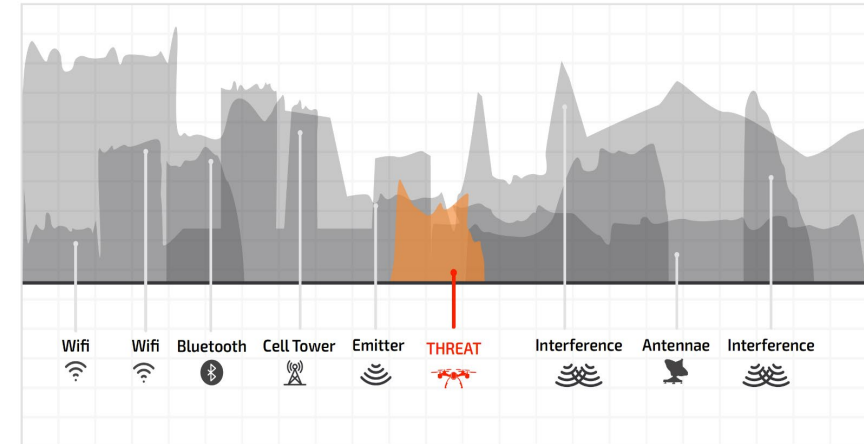
- Safe solutions can be carried on-the-man, mounted on light skinned vehicles and provide continuous passive protection unconstrained by ammunition stores
- Kinetic counter-drone solutions are often mounted on heavy, remote weapon stations and constrained by magazine depth

DroneShield AI Software Sees Through Noise – Radiofrequency Spectrum



World Leading Proprietary RF AI Platform for Protection Against Advanced Threats, such as Drones

- Drones operate in the densest parts of the Radio Frequency (“RF”) Spectrum with “noise” coming from all kinds of other emitters including Wi-Fi, Bluetooth, cell towers and antennas
 - Drone detection technology needs to be able to pull a signal out of all the other “noise”, while maintaining low false alarms
- DroneShield has developed a cutting-edge spectrum awareness capability using proprietary AI techniques through its RFAI™ engine
- The RFAI™ engine receives quarterly updates (intra-quarter updates also available) which get pushed to the devices globally
- Why is this more advanced than the cell phone technology?
 - Need to detect all protocols, all the time, on all bands, while cell phones are specific dedicated protocols on specific channels
 - Cell phones are a well-defined protocols with defined timing, frequency, and identifying signals to lock onto. This allows to optimize the system from the hardware bands being made narrow band so there is no interference. The Government licensed bands allow no interference sources, so the algorithms are defined, which means the math is defined
 - In C-UAS, there is no set sample rate, sample frequency, bands, licensed channel control, so there is no optimization about any one algorithm



DroneOptID AI Software – Optical and Thermal Spectrum Counter-drone Surveillance



DroneShield's DroneOptID AI engine detects and tracks complex threats such as drones in cluttered environments

- Drones are small, fast-moving objects, hard to detect with naked eye more than 50m away, against complex background
- Cameras on their own cannot detect and track drones at any meaningful distance, due to
 - the trade-off between the camera Field-of-View (FoV) and Depth. A wide FoV would only see drone at a close distance. A narrow FoV means only looking at a tiny part of the area
 - Even once an object is detected, separating drones from birds is difficult, especially for fixed wing drones
- To enable cameras to accurately detect and track drones and other objects, DroneShield has developed a proprietary AI engine DroneOptID™, in conjunction with University of Technology Sydney, with DroneShield retaining the IP
 - DroneOptID uses the latest in Computer Vision technology to detect, identify and track drones in real time, cutting through all the other “noise”
 - The software takes geographical and environmental data from other sensors in order to slew and validate a drone threat. Once the drone is in the field of view of the camera, using proprietary DroneShield algorithms, the DroneOptID software uses motion tracking and machine learning techniques to identify and track the target



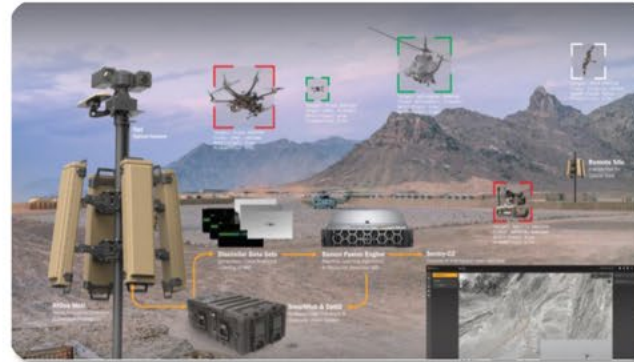
Cutting-Edge Proprietary AI-Based Software Capabilities



ROBUST SOFTWARE SUITE



INTEGRATED ACROSS THE DRONESHIELD ECOSYSTEM



POWERED BY BEST-IN-CLASS TECHNOLOGY



Advanced Computer Vision & ML to detect and track drones in complex environments



Sophisticated, Proprietary Algorithms to enhance real-time threat analysis and response



Substantial & Growing Threat Database leverages 35,000+ database of drone samples to precisely classify drones



Regular Software Updates maintains technological edge and responsiveness

DRONESHIELD'S SOFTWARE IN ACTION – CASE STUDIES

U.S. Navy



- **Deployment:** DroneSentry-X and DroneSentry-C2 on the U.S Navy's M80 Stiletto vessel for 6 weeks
- **Technology:** Powered by RFAI, DroneShield's AI/ML signal detection and classification engine
- **Capabilities Demonstrated:**
 - ✓ Advanced AI/ML signal detection & classification with RFAI, enabling robust detection of a diverse range of unmanned threats
 - ✓ High-performance adaptability in various sea states against swarms, showcasing sophisticated AI-driven response in dynamic environments

IRONMAN Sports Event

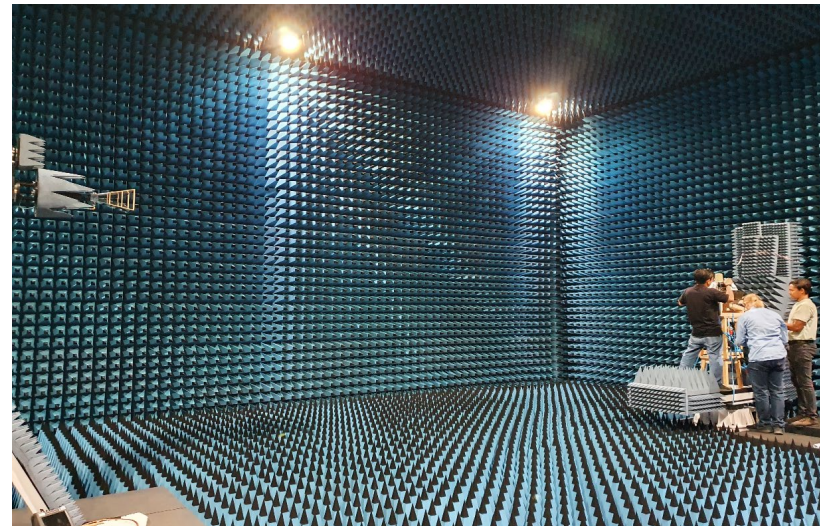
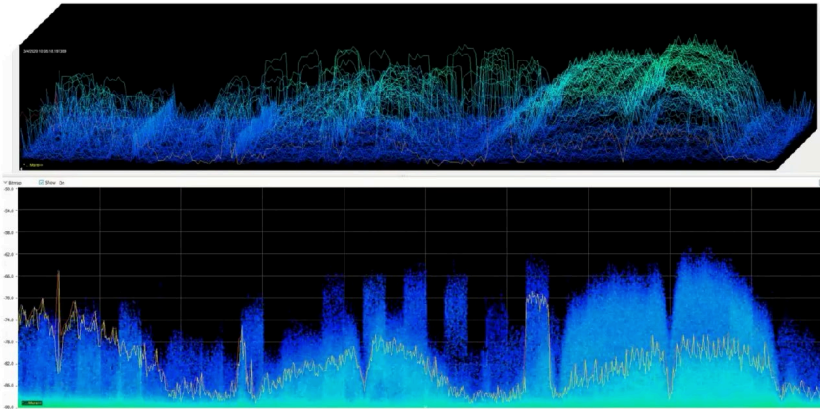


- **Deployment:** DroneSentry and DroneOptID, used for the 2nd consecutive year at the event
- **Technology:** DroneOptID for AI-powered detection, identification, and tracking
- **Capabilities Demonstrated:**
 - ✓ Leveraged AI to provide instant notifications to security personnel, enabling prompt response to potential aerial threats
 - ✓ Software system was able to integrate with existing security measures at the event, demonstrating its flexibility



DroneShield is Favourably Exposed to the Fast-growing Electronic Warfare Business Segment

- **Electronic warfare (EW)** is any action involving the use of the electromagnetic spectrum (EM spectrum) or directed energy to control the spectrum, attack an enemy, or impede enemy assaults
- The purpose of electronic warfare is to deny the opponent the advantage of - and ensure friendly unimpeded access to - the EM spectrum
- Demand for smart EW technologies to jam, degrade, disrupt or neutralise an adversary capability are rapidly growing and are an essential part of modern warfare
- Given the overlap with DroneShield's counter-drone AI technology and the minimal Australian based competition in EW technology, DroneShield is in the box seat to exert dominance in this rapidly growing area
- In July 2023, DroneShield received a \$9.9 million, 2-year R&D contract with the Five Eyes Department of Defence
 - Contract was awarded on a sole source basis
- Additional, and larger, contracts are expected, as DroneShield builds up its AI capabilities in the EW and Signals Intelligence arena



Visionary Team of Industry Veterans with Deep Industry Experience



Peter James

Independent Non-Executive Chairman



Oleg Vornik

CEO and Managing Director



Jethro Marks

Independent Non-Executive Director



Carla Balanco

CFO and Joint Company Secretary



Red McClintock

Sales Director



Tom Branstetter

U.S. Director of Business Development



Angus Bean

Chief Technology Officer



Lawrence Marychurch

Vice President, Design



Paul Cenoz

General Counsel and Joint Company Secretary



Matt McCrann

U.S. CEO



Raffael Battner

Operations Manager



Carl Norman

Vice President, Embedded Systems



Majority of the DroneShield senior team has been with the business for most of its history, delivering rapid growth.

Pro Forma Capital Structure



Pro Forma Capital Structure (excl. SPP Proceeds)	
DRO Shares on Issue	616,503,611
Placement Shares to be Issued	87,776,916
<i>Amount raised under the Placement</i>	<i>\$70,221,532.80</i>
Shares on Issue (post-Offer)	704,280,527
DRO Options on Issue ¹	57,559,000
Fully Diluted Shares on Issue (post-Offer)	761,839,527
Fully Diluted Equity Value	\$609.5m ²
Pro Forma Cash (excl. SPP proceeds)	\$126.6m
Debt	-
Fully Diluted Enterprise Value	\$482.9m

¹ Options issued at various strike price and maturities

² At the Offer Price of \$0.80 per share as at 17 April 2024

Director and Employee Shareholdings		
Oleg Vornik, CEO and Managing Director	15,000,000 options	2.0%*
Peter James, Independent Non-Executive Chairman	920,022 shares 3,000,000 options	0.5%*
Jethro Marks, Independent Non-Executive Director	1,500,000 options	0.2%*
Other Employees	10,366,225 shares 36,509,000 options	6.2%*

Notes: *Percentages are on a fully diluted basis

Research Coverage





DRONESHIELD

Artificial Intelligence For Multi-Mission C-UxS

DroneShield Limited (ASX:DRO)
Investor Presentation

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CEO and Managing Director
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+61 2 9995 7280

