

6 August 2020

ASX RELEASE

Placement and Share Purchase Plan

This communication is not for publication or distribution, directly or indirectly, in or into the United States of America, including its territories and possessions, any state of the United States of America and the District of Columbia (collectively, the "U.S."). This communication is not an offer of securities for sale into the U.S. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the U.S., except pursuant to an applicable exemption from registration. No public offering of securities is being made in the U.S.

DroneShield Limited (Company) (ASX:DRO) is pleased to announce it has received firm commitments from sophisticated, professional and institutional investors to raise \$7.5 million through a placement of 60 million fully paid ordinary shares (**Shares**) at an issue price of \$0.125 per Share (**Placement**).

Placement

The Placement will be completed without a prospectus with the Shares being offered and subscribed for by investors to whom disclosure is not required. The issue price represents a 18.69% discount to the 15-day volume-weighted average price of the Company's Shares prior to the date of this announcement.

The Placement Shares are expected to be issued on 13 August 2020 using the Company's existing capacities under ASX Listing Rule 7.1 (37,869,320 Shares) and ASX Listing Rule 7.1A (25,246,213 Shares). 34,753,787 Shares will be issued pursuant to ASX Listing Rule 7.1 and 25,246,213 Shares will be issued pursuant to ASX Listing Rule 7.1A.

Share Purchase Plan

In recognition of the Company's retail shareholders, the Company will also be providing eligible shareholders with the opportunity to participate in a Share Purchase Plan to raise up to \$1.5 million (**SPP**). The new Shares to be issued under the SPP will be issued at \$0.125 per Share, the same price as the Placement. Each eligible shareholder will be entitled to apply for up to \$30,000 worth of Shares and the Company reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion.

The ASX has confirmed that the Company can rely on the Temporary Extra Placement Capacity Class Waiver under Listing Rule 18.1 to allow the SPP to be undertaken at the same issue price as the Placement. The Company has been partly affected by the COVID-19 health crisis and its economic impact and is raising capital in order to progress its existing operations and continue to execute its business plan (set out in further detail below). The \$1.5 million SPP limit was set by taking into consideration meeting of the Company's capital requirements, certainty of proceeds, and ensuring opportunity for participation of the existing Company's shareholders.

The Company confirms that the record date for participation in the SPP is 5 August 2020 (**Record Date**). Registered holders of Shares at the Record Date with a registered address in Australia or New Zealand will be eligible to participate in the SPP.

Full terms of the SPP will be announced and dispatched to eligible shareholders on or about 11 August 2020 with the closing date for acceptance of the SPP offer expected to be 3 September 2020. The SPP Shares will be purchased free of brokerage and no prospectus will be issued.

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

Peloton Capital Pty Ltd (“**Peloton**”) has been appointed as lead manager to the Offer. Peloton will receive 5,000,000 call options, exercisable at \$0.25 (a 100% premium to the \$0.125 issue price), with a 3 year expiry. The issuance of these options is subject to shareholder vote at the next shareholder meeting.

Use of Funds

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

- Rapidly scaling the sales and marketing resourcing (team and inventory) to support current momentum in the US, Europe and other locations as they emerge from COVID-19 slowdown
- Additional resourcing (including inventory) to support airport trials
- Scaling up of the Australian engineering team to support rapid refinement of products in response to end user feedback
- Investment in long lead items for sale inventory to enable rapid sales and demonstrations
- Repayment of the \$600,000 R&D Tax Incentive Loan (so DroneShield receives the full amount of the 2020 R&D Tax Incentive due in first half of 2021)
- General working capital.

Indicative Timetable

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

Record Date for SPP	5.00pm on 5 August 2020
Announcement of SPP and Placement and lodge Appendix 3B	6 August 2020
Cleansing Notice for SPP lodged with ASX and dispatch of SPP booklet	11 August 2020
Opening date for SPP	11 August 2020
Issue of Shares under Placement, Appendix 2A and Cleansing Notice	13 August 2020
Closing date for SPP	3 September 2020
Announcement of result of SPP	8 September 2020
Issue of Shares under SPP and lodge Appendix 2A	10 September 2020
Quotation on ASX of Shares under the SPP	11 September 2020

Oleg Vornik, DroneShield’s CEO, commented: “This capital raise enables DroneShield to take full advantage of opportunities for rapid growth, that are currently emerging across several key markets, including the US Government and military, and the European airport sector.”

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

Further Information

Oleg Vornik
CEO and Managing Director
Email: oleg.vornik@dronesield.com
Tel: +61 2 9995 7280

About DroneShield Limited

Based in Sydney (Australia), Virginia (USA) and London (UK), 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.

ENDS