

1 August 2024

ASX RELEASE

Successful Completion of \$120m Underwritten Placement

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

Key Highlights

- DroneShield has completed its fully underwritten share placement raising \$120 million following strong support from existing and new domestic and international institutions and sophisticated investors.
- Proceeds from the Placement will primarily be used to fund Artificial Intelligence R&D into new counterdrone (**C-UxS**) products and new generations of existing products in response to end user requirements, to fuel DroneShield's rapid growth.
- Post transaction pro forma cash balance of approximately \$120 million¹ will support the rapid growth of DroneShield's R&D programs and fund potential strategic technology acquisitions.
- Sales pipeline of \$1.1 billion with 110 qualified projects at different stages with high quality government customers; \$28 million of contracted sales orders currently being fulfilled².
- Leveraging DroneShield's unique C-UxS engineering experience, market leading position and unparalleled insights on industry dynamics and the future requirements of tier 1 military customers, there is currently an opportunity for DroneShield to accelerate and enhance its AI software infrastructure and hardware capabilities.
- Extending DroneShield's R&D into new products and new generations of existing products is expected to further entrench DroneShield's position as the market leader in the rapidly evolving C-UxS market, enable DroneShield to expand into new markets and products, expand gross profit margins as its revenue mix shifts toward AI enabled software solutions and accelerate SaaS revenues.
- DroneShield is looking to capitalise on strong momentum experienced in the first half of 2024 and favourable geopolitical environment with the use of drones continuing to headline armed conflicts globally.
- Record 1H24 revenues of \$24.1 million (up 110% on 1H23). The Company has also seen highest ever first half year cash receipts in 1H24 of \$21.4 million, up 40% on 1H23 (\$15.3 million).³

¹ Cash balance as at 30 June 2024. Assumes placement of \$120m, excluding offer costs. Pro Forma cash balance adjusted for committed inventory spend \$45m, expected near-term inventory spend \$50m, funding for current R&D programs, additional inventory requirements and working capital.

² There is no assurance that any of the Company's sales opportunities will result in sales.

³ Preliminary estimates. The reviewed results are due in August 2024, as part of 2024 Half-Year Report.

DroneShield Limited (ASX:DRO) (DroneShield, DRO or the Company) is pleased to announce that it has successfully completed the bookbuild of its approximately \$120 million fully underwritten placement (**Placement**) of approximately 104.3 million new fully paid ordinary shares (**New Shares**) to eligible sophisticated, professional and institutional investors at a price of A\$1.15 per New Share.

The Placement will take place in a single tranche pursuant to the Company's available placement capacity under ASX Listing Rule 7.1 and is equivalent to approximately 13.7% of existing shares on issue.

Net proceeds raised from the Placement will be used to fund the development of priority R&D programs as well as strategic bolt-on acquisitions to accelerate the development of DroneShield's new Artificial Intelligence products & software capabilities to meet high demand from its global tier 1 customer base allowing DroneShield to maintain its market leading position, facilitating future growth.

Investment in R&D to Accelerate Growth

As the nature of warfare continues to evolve, DroneShield has primarily undertaken the Placement to support the implementation and extension of its R&D programs. Extending R&D into new products and new generations of existing products will:

- Entrench DRO's position as the market leader in the rapidly expanding C-UxS market;
- Enable DRO to expand into new markets and products as the drone and counterdrone warfare evolves;
- Expand gross profit margins as the revenue mix shifts toward AI enabled software solutions supported by DRO's market leading hardware solutions; and
- Accelerate SaaS revenues.

Capital Raise Use Of Funds	\$M
R&D – DRO Technology Development Plan	\$90.0
Acquisition funding – potential strategic bolt-on acquisitions	\$20.0
Working Capital and Offer Costs	\$10.0
TOTAL	\$120.0

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

Oleg Vornik, DroneShield CEO, commented: “This placement is enabling us to undertake a number of rapid R&D programs in response to end user requirements, over the next 12-24 months. This favourably positions DroneShield to fuel its revenue growth and further increase its margins, due to anticipated increase in AI SaaS offerings and higher sales pricing for the underlying hardware, as the C-UxS market continues to rapidly grow, supported by the current tailwinds through drones being used extensively for nefarious purposes globally.”

Bell Potter Securities Limited, Macquarie Capital (Australia) Limited and Shaw and Partners Limited (**JLMs**) acted as Joint Lead Managers, Bookrunners and Underwriters to the Placement.

Ord Minnett Limited acted as Co-Manager to the Placement.

Settlement of the Placement is expected to take place on 6 August 2024, with allotment expected to occur on 7 August 2024. Shares issued under the Placement will rank equally with DroneShield's existing shares.

DroneShield's ordinary shares are expected to resume normal trading on the ASX from market open today (Thursday, 1 August 2024).

Proforma capital structure after the Placement is as follows:

DRO Shares on Issue	762.6m
Placement Shares to be Issued	104.3m
Shares on Issue (post-Placement)	866.9m
DRO Options on Issue ¹	56.1m
Fully Diluted Shares on Issue (post-Offer)	923.0m
Fully Diluted Equity Value	\$1,061.5m ²
Pro Forma Cash ³	\$120.0m
Debt	-
Fully Diluted Enterprise Value	\$941.5m

¹ Options issued at various strike price and maturities

² At the Offer Price of \$1.15 per share

³ Using 30 June 2024 cash balance adjusted for \$120m placement, committed inventory spend (\$45m), expected additional near-term inventory spend (\$50m), funding for current R&D programs, additional inventory requirements and working capital

Indicative Timetable

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

Trading halt lifted and trading resumes on ASX	1 August 2024
Settlement of Placement	6 August 2024
Allotment of New Shares under Placement	7 August 2024

The commencement of trading and quotation of Shares issued under the Placement is subject to confirmation from ASX. The Company reserves the right to alter the dates at its discretion and without prior notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth). In particular, the Company reserves the right to withdraw or vary the Placement without prior notice.

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

All dollar amounts are in Australian dollars unless otherwise indicated.

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About DroneShield Limited

DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UAS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial, maritime or airborne platforms. Our customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports.

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

Forward-looking statements

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

Not an offer in the United States

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