

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

DroneShield Limited

ABN

26 608 915 859

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares (Shares)
Listed options (DROO options)
Unlisted Class A options
Unlisted employee options (Employee Options) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 11,610,000 Shares
3,869,984 DROO options
2,000,000 Class A options
250,000 Employee Options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 11,610,000 Shares at an issue price of \$0.20 per Share.
3,869,984 DROO options issued for nil cash consideration which expire on 14 June 2018 and have an exercise price of \$0.22.
2,000,000 Class A options issued for nil cash consideration for lead manager services, which expire on 14 June 2019 with an exercise price of \$0.22. |

+ See chapter 19 for defined terms.

125,000 unvested Employee Options, each with an exercise price of \$0.50 and which vest on 22 June 2018 and expire on 22 June 2021.

125,000 unvested Employee Options, each with an exercise price of \$0.50 and which vest on 22 June 2019 and expire on 22 June 2022.

- 4 Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?

If the additional ⁺securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

The Shares will rank equally with the quoted fully paid ordinary shares.

Upon exercise of a DROO option, Class A option or Employee Option, the resultant share will rank equally with the quoted fully paid ordinary shares.

- 5 Issue price or consideration

The Shares were issued at an issue price of \$0.20 per Share.

The DROO options, Class A options and Employee Options were issued for nil cash consideration.

6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The DROO options, Class A options and Shares were issued under a placement to raise \$2.32 million (Placement). The DROO options and Shares were issued to institutional, sophisticated and professional investors. The Class A options were issued to an entity associated with Patersons Securities Limited (lead manager of the Placement). Net proceeds from the Placement will be used to fund: • development and integration of detection and countermeasure technologies, to enable the Company to be a prime counterdrone integrator to militaries, and civil infrastructure and other customers; • the rollout of products, such as DroneSentry (with an integrated detect and defeat capability); • expansion of the Company's sales and marketing effort globally; and • general working capital. The Employee Options were issued to an employee under the Company's Incentive Option Plan.
6a	Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	26 April 2017
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	3,869,984 DROO options 2,000,000 Class A options
6d	Number of ⁺ securities issued with security holder approval under rule 7.1A	11,610,000 Shares
6e	Number of ⁺ securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A

⁺ See chapter 19 for defined terms.

6f	Number of +securities issued under an exception in rule 7.2	250,000 unlisted and unvested options, being the Employee Options (exception 9)	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Yes, agreed to be issued on 27 October 2017, which had a 15 day VWAP at \$0.2466 (24.66 cents). 75% of this is 18.495 cents, which is less than the issue price of 20 cents (source: PSL).	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity’s remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	See Annexure 1	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	1 November 2017	
8	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable)	Number	+Class
		56,395,892	Fully paid ordinary shares
		34,478,988	DROO options (\$0.22, 14 June 2018)

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (<i>including</i> the +securities in section 2 if applicable)	Fully paid ordinary shares*
	100,000,001	
	12,000,000	Class A options (\$0.22, 14 June 2019)*
	1,750,000	Class B options (\$0.30, 14 June 2019)
	7,300,000	Class B options (\$0.30, 14 June 2019)*
	1,000,000	Class C options (\$0.30, 29 March 2020)*
	5,100,000	Class D options (\$0.30, 22 June 2020)*
	800,000	Class F options (\$0.30, 22 June 2021)*
	800,000	Class H options (\$0.30, 22 June 2022)*
	200,000	Class I options (\$0.30, 28 December 2019)
	625,000	Class J options (\$0.50, 22 June 2021)
	625,000	Class K options (\$0.50, 22 June 2022)
	15,000,000	Class A performance shares*
	15,000,000	Class B performance shares*
	15,000,000	Class C performance shares*
		*escrowed to 22 June 2018
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Unchanged

+ See chapter 19 for defined terms.

Part 2 - Pro rata issue

- | | | |
|----|--|---|
| 11 | Is security holder approval required? | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 12 | Is the issue renounceable or non-renounceable? | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 13 | Ratio in which the ⁺ securities will be offered | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 14 | ⁺ Class of ⁺ securities to which the offer relates | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 15 | ⁺ Record date to determine entitlements | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 17 | Policy for deciding entitlements in relation to fractions | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |
| 18 | Names of countries in which the entity has security holders who will not be sent new offer documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | <div style="border: 1px solid black; height: 60px; width: 100%;"></div> |
| 19 | Closing date for receipt of acceptances or renunciations | <div style="border: 1px solid black; height: 25px; width: 100%;"></div> |

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	
25	If the issue is contingent on security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do security holders sell their entitlements <i>in full</i> through a broker?	
31	How do security holders sell <i>part of</i> their entitlements through a broker and accept for the balance?	

+ See chapter 19 for defined terms.

32 How do security holders dispose of their entitlements (except by sale through a broker)?

33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought					
39	+Class of +securities for which quotation is sought					
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: - the date from which they do - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment					
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)					
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:Date: 1 November 2017
Company secretary

Print name: Anand Sundaraj

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	135,000,001* *Shares on issue upon listing on ASX
Add the following: - Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 - Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval - Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: - Include only ordinary securities here – other classes of equity securities cannot be added - Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed - It may be useful to set out issues of securities on different dates as separate line items	10,000 (issued on 6 January 2017) 1,263,600 (issued on 13 January 2017) 744,595 (issued on 20 January 2017) 178,743 (issued on 27 January 2017) 281,739 (issued on 3 February 2017) 43,000 (issued 6 February 2017) 340,953 (issued 10 February 2017) 106,986 (issued 17 February 2017) 37,150 (issued 24 February 2017) 73,680 (issued 3 March 2017) 50,000 (issued 10 March 2017) 90,600 (issued 17 March 2017) 50,000 (issued 24 March 2017) 70,000 (issued 31 March 2017) 50,000 (issued 7 April 2017) 180,000 (issued 13 April 2017) 50,000 (issued 21 April 2017) 69,950 (issued 28 April 2017) 120,000 (issued 5 May 2017) 50,000 (issued 12 May 2017) 290,000 (issued 19 May 2017) 100,000 (issued 26 May 2017) 90,000 (issued 2 June 2017) 4,438,922 (issued 21 June 2017) 50,003 (issued 23 June 2017)
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	143,829,922

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	21,574,488 (rounded down)
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of ⁺ equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: - Under an exception in rule 7.2 - Under rule 7.1A - With security holder approval under rule 7.1 or rule 7.4 Note: <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i>	955,971 (issued 28 June 2017) 3,869,984 DROO options (issued 1 November 2017) 2,000,000 Class A options (issued 1 November 2017)
“C”	6,825,955
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	21,574,488
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	6,825,955
Total [“A” x 0.15] – “C”	14,748,533 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

⁺ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	143,829,922
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	14,382,992
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of ⁺ equity securities issued or agreed to be issued in that 12-month period under rule 7.1A <i>Notes:</i> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items	11,610,000 Shares (issued 1 November 2017)
“E”	11,610,000

⁺ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	14,382,992
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	11,610,000
Total [“A” x 0.10] – “E”	2,772,992 <i>[Note: this is the remaining placement capacity under rule 7.1A]</i>

+ See chapter 19 for defined terms.