23 January 2026 **ASX Announcement**

Performance Options Update

DroneShield Limited (ASX:DRO) ("**DroneShield**" or the "**Company**") advises that 9,224,361 Performance Options with various expiry dates have vested, due to the Company reaching the required milestone of $200 million of cash receipts within a rolling 12-month period, applicable to these options ("**Vesting Options**"). The Vesting Options were granted when the Company's sales were significantly lower than today, to incentivise the employees.

The Vesting Options are held by employees, including the CEO, who holds 709,361 of the 9,224,361 Vesting Options. No Vesting Options are held by Non-Executive Directors. The CEO's Vesting Options were approved by shareholders at the Annual General Meeting held on 28 May 2025. The remaining Vesting Options were granted in February 2025 (when the Company's share price was below $1 and FY2024 revenue was $57.5 million) and were issued to employees under the Incentive Option Plan. The Incentive Option Plan was approved by shareholders at the Annual General Meeting held on 19 April 2023.

DroneShield's auditor, HLB Mann Judd, has verified achievement of the applicable cash receipts performance hurdle for the period from 2 April 2025 to 13 January 2026.

Assuming all 9,224,361 Performance Options are exercised, the capital structure will be as follows:

Class of Securities	**Amount**
Fully Paid Ordinary Shares	923,142,028
Exercise Price Options	269,000
Performance Options*	6,998,167
Fully Diluted Shares on Issue	930,409,195

** 995,000 unvested and 6,003,167 $200m Performance Options which vested on 4 November 2025 and 20 January 2026 but have not yet been exercised by the relevant security holders.*

A total of 995,000 previously issued Performance Options remain unvested, all of which were granted during a period when the Company's sales were significantly lower, with each option tied to achieving a performance hurdle of $200 million in revenue or cash receipts over a rolling 12-month period.

To maintain alignment with shareholders, on 4 November 2025, the Company introduced an enhanced incentive framework. Under this structure, eligible DroneShield team members will receive Performance Options with tiered hurdles. One-third of the new options will vest upon reaching $300 million in revenue or cash receipts over a rolling 12-month period, one-third at $400 million, and the final third at $500 million, with each tranche vesting 50% upon meeting the relevant hurdle and the remaining 50% twelve months thereafter ("**New Options**").

The Non-Executive Directors are not eligible for the New Options. Any New Options proposed to be issued to the CEO will be submitted to shareholders for approval at the next Annual General Meeting (expected to be held in May 2026), as per previous years.

The share option non-cash expense for the year ended 2025 totals $23.5 million. The significant expense is due to Performance Options granted over several annual performance periods, crystallising in a short amount of time, due to the rapid growth of the business.

Vesting Date	Number of Performance Options	Number of Performance Option holders	2025 Share Option Expense (A$m)^
4 November 2025	44,455,000	36	15.8
20 January 2026	430,000	7	0.5
23 January 2026	9,224,361	72	5.9
Unvested	995,000	6	1.3
Total			**$23.5m**

^The audited results are due in February 2026, as part of the 2025 Annual Report.

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

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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 solutions designed to suit a variety of terrestrial, maritime or airborne platforms. Our customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports.

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