4 November 2025 **ASX Announcement**

Performance Options Update

- 44,455,000 Performance Options vested due to DroneShield achieving performance hurdle of $200 million cash receipts in a 12-month rolling period.
- DroneShield on track for another record year by a large magnitude.
- To ensure ongoing alignment of the DroneShield team and shareholders, the next tranche of Performance Options will be issued with performance hurdles of $300 million, $400 million, and $500 million of annual revenues or cash receipts.

DroneShield Limited (ASX:DRO) ("**DroneShield**" or the "**Company**") advises that 44,455,000 Performance Options with various expiry dates have vested, due to the Company reaching the required milestone of $200 million of cash receipts within a 12-month rolling period. Achievement of the performance hurdle has been verified by DroneShield's auditor, HLB Mann Judd.

Oleg Vornik, DroneShield's CEO, commented "Performance Options align the DroneShield team and its investors, enabling DroneShield to attract the best talent and incentivise performance, whilst reducing the cash burden on the Company as it continues to rapidly grow."

"We are pleased to reach this $200 million cash receipts 12-month milestone, and look forward to maximising performance for the remainder of this record year, and building a strong foundation for 2026 and beyond."

Assuming all 44,455,000 Performance Options are exercised, the capital structure is as follows:

Class of Securities	Amount
Fully Paid Ordinary Shares	919,264,707
Exercise Price Options	374,000
Performance Options	11,114,361
Fully Diluted Shares on Issue	930,753,068

To ensure continued alignment, the Company will implement the next generation of its incentive structure, and performance options granted to eligible DroneShield team members will have staged performance hurdles. One-third of the performance options will have a performance hurdle of **$300 million** of either revenue or cash receipts in a **rolling 12-month period,** one-third will have a performance hurdle of **$400 million,** and one-third will have a performance hurdle of **$500 million** ("**New Options**"). If a team member holds any of the recently vested Performance Options, the revenue which satisfied the $200 million revenue performance hurdle will not count towards satisfaction of the $300 million, $400 million, or $500 million performance hurdles of the New Options.

If a performance hurdle of the New Options is achieved, then one-half of the applicable New Options will vest and be exercisable by the DroneShield team member. Vesting of the remaining one-half of the New Options will be conditional upon the DroneShield team member remaining as an employee on the 12-month anniversary of the date that the performance hurdle is achieved.

The Non-Executive Directors will not be eligible for the New Options. Any New Options proposed to be issued to the CEO/Managing Director will be submitted to the shareholders for consideration and approval at the next Annual General Meeting, as per the previous years.

DroneShield intends that the total number of New Options issued will not exceed 1% of its issued share capital, in line with best practices of employee share schemes.

Other conditions of the New Options are the same as for the previously issued Performance Options. The Board reserves the right to amend the terms as appropriate in the best interests of the Company, for options issued in the future.

The rationale for the New Options to be entirely revenue and cash receipt based (consistent with past issuances) is as follows:

- A simple to understand structure for the Company's staff, aligning the whole of the business (engineering, sales, operations, finance, etc.) – all teams working towards maximising sales
- The demand for counterdrone equipment is relatively inelastic – meaning, discounting does not drive sales. The sales are driven by a well performing product
- The high gross profit margin drives leverage in the business as the revenues grow, in turn driving the bottom line. Adding profit as an additional parameter creates a risk of starving the business of investment into appropriate medium to long term resourcing and an excessive focus on short term bottom line

It should be noted that KMPs of the Company (CEO and CFO) remain to have a portion of their short-term compensation (STI) linked to the business achieving profitability, in line with best practices.

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 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.droneshield.com/about

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