



DRONESHIELD

DRONESHIELD LIMITED

ACN 608 915 859

Notice of 2020 Annual General Meeting

Explanatory Statement

Proxy Form

Time: 2:30 pm (Sydney time)

Date: 28 July 2020

Place: The AGM will be conducted as a virtual meeting, accessible online.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

IMPORTANT INFORMATION REGARDING COVID-19: Due to the COVID-19 pandemic, the AGM will be held as a virtual meeting. If you are a shareholder and you wish to virtually attend the AGM, please pre-register in advance for the virtual meeting here: https://us02web.zoom.us/webinar/register/WN_YHdqMUwGRzqRZVhpBfO9Ag

Shareholders are also strongly encouraged to lodge their completed proxy forms in accordance with the instructions in this Notice of Meeting.

On 5 May 2020, the Commonwealth Treasurer introduced temporary modifications to the *Corporations Act 2001* (Cth) to allow the Notice of Meeting and other information regarding the AGM to be provided electronically and to allow shareholders to participate in the AGM using the online facility which facilitates direct voting and questions.

This Notice of Meeting can be accessed on the Company's website at www.droneshield.com.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 8072 1400.

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Important Information for Shareholders about the Company's 2020 AGM

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice is received by Shareholders, circumstances may have changed, however, this Notice is given based on circumstances as at 22 June 2020.

Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at www.droneshield.com. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Given the significant health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate to hold the 2020 AGM as a virtual meeting, in a manner that is consistent with the temporary modifications to the *Corporations Act 2001* (Cth) introduced by the Commonwealth Treasurer.

Venue – Virtual Meeting

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2:30 pm (Sydney time) on 28 July 2020 as a **virtual meeting**.

If you wish to virtually attend the AGM (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here:

https://us02web.zoom.us/webinar/register/WN_YHdqMUwGRzqRZVhpBfO9Ag

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the AGM.

Shareholders will be able to vote and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing to Carla Balanco, Company Secretary at carla.balanco@droneshield.com at least 48 hours before the AGM.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Your vote is important

The business of the Annual General Meeting affects your shareholding and your vote is important.

Voting virtually on the day of the AGM

Shareholders who wish to vote virtually on the day of the AGM will need to login to the Automic website (<https://investor.automic.com.au/#/home>) with their *username* and *password*.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website (<https://investor.automic.com.au/#/home>), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a *username* and *password*) are advised to take the following steps to attend and vote virtually on the day of the AGM:

1. Login to the Automic website (<https://investor.automic.com.au/#/home>) using your *username* and *password*.
2. **(Registration on the day)** If registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
3. **(Live voting on the day)** If live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

Voting by proxy

Shareholders who wish to participate and vote at the AGM are strongly encouraged to complete and submit their proxies as early as possible.

To vote by proxy:

1. please lodge the Proxy Form online at <https://investor.automic.com.au/#/loginsah> by following the below instructions:

Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form; or

2. please complete and sign your Proxy Form, and deliver the Proxy Form:

- (a) by hand to:

Automic Group
Level 5, 126 Phillip Street, Sydney NSW 2000; or

- (b) by post to:

Automic Group
GPO Box 5193, Sydney NSW 2001.

Your Proxy Form must be received not later than 48 hours before the commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of DroneShield Limited ACN 608 915 859 will be held at 2:30 pm (Sydney time) on 28 July 2020 as a virtual meeting.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement forms part of this Notice of Meeting. The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 2:30 pm (Sydney time) on 26 July 2020. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Ordinary business

Financial statements and reports

“To receive and to consider the Annual Financial Report of the Company for the financial year ended 31 December 2019 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

Note: This item of ordinary business is **for discussion only and is not a resolution**.

However, pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

Resolutions

1. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s Annual Financial Report for the financial year ended 31 December 2019.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company’s key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person’s Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as Restricted Voter). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote “against”, or to abstain from voting on, this Resolution.

2. Resolution 2 – Election of Jethro Marks as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Jethro Marks, a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company’s Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately.”

3. Resolution 3 – ASX Listing Rule 7.1A Approval of Future Issue of Securities

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **Special Resolution**:

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders of the Company approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. Resolution 4 – Issue of Incentive Options to Director – Jethro Marks

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **Ordinary Resolution**:

“Subject to Resolution 2 being passed, that, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 250,000 Incentive Options, at an exercise price of \$0.65 per Option, to Jethro Marks (or his nominee) under the Incentive Option Plan and otherwise on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- (a) any person referred to in ASX Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Incentive Option Plan; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Resolution 5 – Adoption of New Constitution

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **Special Resolution**:

“That, for the purposes of section 136 of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt an amended constitution in its place in the form as signed by the Chair of the Meeting for identification purposes.”

Dated: 26 June 2020

BY ORDER OF THE BOARD

Carla Balanco
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 2:30pm (Sydney time) on 28 July 2020 as a virtual meeting.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Annual General Meeting are set out below.

Ordinary business

Financial statements and reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 31 December 2019 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company's Annual Financial Report on its website at www.droneshield.com.

No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

Resolutions

Resolution 1 – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at www.droneshield.com.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting (subject of this Notice of Meeting), and then again at the 2021 Annual General Meeting (**2021 AGM**), the Company will be required to put to vote a resolution (**Spill Resolution**) at the 2021 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2021 AGM. All of the Directors who were in office when the Directors' Report for the financial year ended 31 December 2020 was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to KMPs (including Directors) and sets out remuneration details, service agreements and the details of any share-based compensation.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed him to vote in accordance with his stated intention to vote in favour of Resolution 1.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

Resolution 2 – Election of Jethro Marks as Director

The Company's Constitution provides that any Director appointed in addition to the existing Directors will hold office until the next annual general meeting and is then eligible for re-election.

ASX Listing Rule 14.4 also provides that each additional director appointed during the year is to hold office until the next general meeting and is then eligible for election as a Director of the Company.

Jethro Marks was appointed as an additional Director of the Company on 16 January 2020 and has since served as a Director of the Company.

Under this Resolution, Mr Marks seeks election as a Director of the Company at this AGM.

Biography

Mr Marks is a Sydney-based CEO and co-founder of the Mercury Retail Group, an eCommerce retail, services, logistics and outsourcing business. Over 17 years, Mr Marks has led, and continuously grown, the business at the forefront of digital commerce, marketing and international logistics, while competing with the largest retailers globally. Mr Marks brings to the Board extensive commercial experience in successfully scaling a multinational business.

Mercury Retail Group's global supply chain and award-winning logistics capability has extended to most consumer goods categories in multiple countries, and today carries 32 million products. This capability has extended to provisioning international logistics support to multinational brands and technology companies.

Directors' recommendation

The Directors (excluding Mr Marks) recommend that Shareholders vote for this Resolution.

Resolution 3 – ASX Listing Rule 7.1A Approval of Future Issue of Securities

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

Resolution 3 seeks Shareholder approval by way of a special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If Resolution 3 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

Information Required by ASX Listing Rule 7.3A

The following information is provided to Shareholders for the purposes of Listing Rule 7.3A.

Period for which the approval will be valid

An approval under this Listing Rule 7.1A commences on the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;
- (b) the time and date of the entity's next annual general meeting; and
- (c) the time and date of the approval by Shareholders of the Company of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

Minimum price at which the equity securities may be issued under Listing Rule 7.1A

Any equity securities issued under Listing Rule 7.1A.2 must be an existing quoted class of the Company's equity securities and issued for cash consideration.

The issue price per equity security must not be less than 75% of the volume weighted average market price for the equity securities in that class, calculated over 15 trading days on which trades in that class were recorded immediately before:

- (a) the date on which the price of the equity securities are to be issued is agreed by the Company and the recipient of the equity securities; and
- (b) if the equity securities are not issued within 10 trading days of the date in paragraph (a), the date on which the equity securities are issued.

Purposes for which the funds raised by an issue of equity securities under Listing Rule 7.1A may be used

As noted above, any equity securities issued under Listing Rule 7.1A.2 must be issued for cash consideration. Accordingly, every issue of equity securities under Listing Rule 7.1A.2 will have an accompanying proposed use of funds at the time of issue.

As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A during the Listing Rule 7.1A mandate period. However, if Shareholders approved this Resolution and the Company did raise funds from the issue of equity securities under Listing Rule 7.1A, based on the Company's existing plans, the Company considers that the funds may be used for the following purposes:

- (a) bonding requirements for new contracts (where required), as they are secured;
- (b) further development and integration of detection and countermeasure technologies, consistent with end-user requirements;
- (c) an increase in inventory levels (detection and countermeasure products);
- (d) an increase in manufacturing capabilities;
- (e) expansion of the Company's sales and marketing effort globally; and
- (f) general working capital.

Risk of economic and voting dilution to existing ordinary Securityholders

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing ordinary Securityholders' economic and voting power in the Company will be diluted.

There is a risk that:

- (a) the market price for the Company's equity securities in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- (b) the equity securities may be issued at a price that is at a discount (as described above) to the market price for those equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of equity securities under Listing Rule 7.1A.

The table below shows the potential dilution of existing Securityholders on the basis of 3 different assumed issue prices and values for the variable “A” in the formula in rule 7.1A.2:

Variable “A” ASX Listing Rule 7.1A.2		Potential Dilution and Funds Raised		
		\$0.065 50% decrease in issue price	\$0.13 issue price ^(b)	\$0.26 100% increase in issue price
“A” is the number of shares on issue, being 252,462,135 Shares ^(a)	10% voting dilution ^(c)	25,246,213	25,246,213	25,246,213
	Funds raised	\$1,641,004	\$3,282,008	\$6,564,015
“A” is a 50% increase in shares on issue, being 378,693,202 shares	10% voting dilution ^(c)	37,869,320	37,869,320	37,869,320
	Funds raised	\$2,461,506	\$4,923,012	\$9,846,023
“A” is a 100% increase in shares on issue, being 504,924,270 shares	10% voting dilution ^(c)	50,492,427	50,492,427	50,492,427
	Funds raised	\$3,282,008	\$6,564,016	\$13,128,031

Notes

- (a) Based on the total number of fully paid ordinary Shares on issue as at 11 June 2020.
- (b) Based on the closing price of the Company’s Shares on ASX as at 11 June 2020.
- (c) The table assumes that the Company issues the maximum number of ordinary Shares available to be issued under Listing Rule 7.1A.
- (d) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder’s holding at the date of this Explanatory Statement.
- (e) The table shows the effect of an issue of equity securities under Listing Rule 7.1A only, not under the Company’s 15% capacity to issue equity securities under Listing Rule 7.1.

Allocation policy for issues under Listing Rule 7.1A

The Company’s allocation policy and the identity of the allottees of equity securities under Listing Rule 7.1A will depend on a number of factors, including:

- (a) the Company’s intentions in relation to the possible issue of equity securities (for cash consideration) during the Listing Rule 7.1A mandate period;
- (b) the structure and timeframe of the capital raising opportunities available to the Company and any alternative methods for raising funds that are available to the Company (such as a pro rata offer or an offer under a share purchase plan);
- (c) the potential effect on the control of the Company;
- (d) the Company’s financial situation and the likely future capital requirements; and
- (e) advice from the Company’s corporate or financial advisors.

Based on the Company’s historical cashflow reports and capital raising activities in the past 12 months, the Company considers that it may raise funds during the Listing Rule 7.1A mandate period, although this cannot be guaranteed. As of the date of this Notice, no specific intention to issue equity securities in relation to any parties, investors or existing Securityholders have been formed. In addition, no intentions have been formed in relation to the possible number of issues, or the time frame in which the issues could be made. Subject to the requirements of the Listing Rules and the Corporations Act, the Board of Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

If and when the determination is made to proceed with an issue of equity securities during the Listing Rule 7.1A mandate period, details regarding the allottees and purposes of issue will be disclosed pursuant to the Company’s obligations under Listing Rules 3.10.3 and 7.1A.4.

Offers made under Listing Rule 7.1A may be made to parties (excluding any related parties) including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

Issue or agreement to issue equity securities under Listing Rule 7.1A in the 12 months prior to AGM

The Company has issued or agreed to issue equity securities under Listing Rule 7.1A.2 in the 12 months preceding the AGM. Details of these issues or agreements to issue are set out in the table below:

Number/Class of equity securities issued	Terms of the securities issued	Price and discount to closing market price on the date of issue (if any)	Consideration details	Allottees of the Securities
<i>Issued on 8 August 2019</i>				
19,337,877 Shares	Issue of Shares pursuant to a placement announced by the Company on 2 August 2019 to raise \$9.55 million (before costs). The placement was completed by utilising existing capacity under ASX Listing Rules 7.1 and 7.1A. The Shares were fully paid on issue and ranked equally in all aspects with all existing Shares issued by the Company.	Issue price of 20 cents per Share. Closing market price on the date of issue of 25.5 cents, which represents a discount of 21.6%.	Cash consideration of \$3,867,575.40 (before costs). Funds have been used by the Company for bonding requirements for new contracts (where required), further development and integration of detection and countermeasure technologies, increase in stock levels, increase in manufacturing capabilities, expansion of sales and marketing effort globally, and for general working capital.	Institutional, professional and sophisticated investors.
Total equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months prior to AGM ("A")			19,337,877	
Percentage that "A" represents based on the total number of equity securities on issue at the commencement of that 12 month period (fully diluted)			6.75%	

This Resolution is a Special Resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

Directors' recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Resolution 4 – Issue of Incentive Options to Director – Jethro Marks

Background

As part of Jethro Marks' appointment to the Board as a Non-Executive Director, the Company agreed, subject to Shareholder approval being obtained at this Meeting, to offer participation in the Company's Incentive Option Plan and issue 250,000 unlisted Options (**Incentive Options**) to Mr Marks.

The Incentive Options are on the same terms as those offered (and approved by Shareholders) to other Directors of the Company at the General Meeting held on 11 December 2019.

Material Terms of Incentive Options

The Incentive Options will, subject to the vesting conditions noted below, be exercisable at \$0.65 each on or before 30 June 2023. The Incentive Options will vest in three equal tranches at 30 November 2020, 30 November 2021 and 30 November 2022.

The Incentive Options will be governed by the Incentive Option Plan. If the holder of the Incentive Options ceases to be employed or engaged by the Company:

- any unexercised Incentive Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Incentive Option within a period of 1 month from the Cessation Date; and

- (b) any unexercised Incentive Options that have not vested as at the Cessation Date shall lapse immediately upon the Cessation Date.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of the Incentive Options (which is a type of equity security, for the purposes of the ASX Listing Rules) under the Incentive Option Plan constitutes the giving of a financial benefit.

A “related party” for the purposes of the Corporations Act is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company.

The non-conflicted Directors of the Company (being Messrs Peter James and Oleg Vornik) carefully considered the issue of these Incentive Options to Mr Marks and formed the view that the giving of this financial benefit to Mr Marks as part of his remuneration was reasonable. In forming this view, Messrs James and Vornik took into account the following considerations:

- (c) the offer to participate in the Company’s Incentive Option Plan (subject to Shareholder approval being obtained) was part of the overall remuneration package offered to Mr Marks pursuant to his appointment to the Board of the Company;
- (d) the terms of the Incentive Options are linked to the performance of the Company, and will assist in further aligning the interests of Mr Marks with Shareholders of the Company, as:
 - (i) the Incentive Options will only vest over a period of time which requires Mr Marks to continuously remain employed or engaged by the Company;
 - (ii) the exercise price of the Incentive Options (\$0.65) is at a significant premium to the recent trading price of the Company’s Shares;
- (e) Mr Marks’ overall remuneration package, which includes Director fees of \$50,000 per annum;
- (f) the issue of Incentive Options under the Incentive Option Plan is a more cost effective way to remunerate Mr Marks as opposed to other forms of remuneration such as additional cash payments; and
- (g) the responsibilities held by Mr Marks as a Non-Executive Director and officer of the Company.

Accordingly, Messrs James and Vornik believe that the issue of Incentive Options to Mr Marks fall within the “reasonable remuneration” exception as set out in section 211 of the Corporations Act, and rely on this exception for the purpose of Resolution 4.

ASX Listing Rule 10.14

The Company is proposing to issue 250,000 Incentive Options under the Incentive Option Plan to Mr Marks, a Non-Executive Director of the Company.

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- 10.14.1: a director of the company;
- 10.14.2: an associate of a director of the company; or
- 10.14.3: a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in the ASX’s opinion, the acquisition should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The proposed issue of Incentive Options under the Incentive Option Plan falls within Listing Rule 10.14.1 above and therefore requires the approval of the Company’s Shareholders under Listing Rule 10.14. This Resolution seeks the required Shareholder approval for the purposes of Listing Rule 10.14.

If this Resolution is passed, the Company will be able to proceed with the issue of Incentive Options under the Incentive Option Plan.

If this Resolution is not passed, the Company will not be able to proceed with the issue of Incentive Options under the Incentive Option Plan and the Company will need to consider increasing Mr Marks' Director fees, as these Incentive Options, exercisable at \$0.65 each, have been included in Mr Marks' remuneration structure to appropriately align Mr Marks incentive with that of the Company.

Information required by ASX Listing Rule 10.15

The following information in relation to the issue of the Incentive Options to Mr Marks (or his nominee) is provided to Shareholders for the purposes Listing Rule 10.15:

- (a) The proposed recipient is Jethro Marks, Non-Executive Director of the Company.
- (b) Mr Marks falls within Listing Rule 10.14.1 (director of the Company) as he is a current Director of the Company.
- (c) The maximum number of Incentive Options under the Incentive Option Plan to be issued to Mr Marks (or his nominee) is 250,000.
- (d) Details of Mr Marks current total remuneration package is as follows:
 - (i) Directors' fees: \$50,000 per annum
- (e) This is the first time Mr Marks has been offered securities under the Incentive Option Plan.
- (f) Summary of the material terms of the Incentive Options are set out above under the title "Material Terms of Incentive Options".
- (g) If approved by Shareholders of the Company, the Incentive Options will be issued to Mr Marks (or his nominee) no later than 3 years after the date of the Meeting;
- (h) The Incentive Options will be issued for nil cash consideration and accordingly, have a nil issue price.
- (i) Summary of the material terms of the Incentive Option Plan is set out in Annexure A of this Notice.
- (j) Details of any securities issued under the Incentive Option Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in the Incentive Option Plan after this Resolution is approved and who were not named in this Notice of Meeting will not participate until approval is obtained under that rule.
- (k) The decision to offer Options (as opposed to other types of equity securities) was made after considering past issues made by the Company under employee incentive schemes. The Company considers that the offer of these Options ensures consistency with past practices by the Company and its management. Given the relatively small amount of Options being offered, the Company has not obtained an independent valuation of the Incentive Options.

Directors' Recommendation

For the reasons set out in the Explanatory Statement of this Resolution, the non-conflicted Directors of the Company (being Messrs Peter James and Oleg Vornik) recommend Shareholders vote for this Resolution.

Resolution 5 – Adoption of New Constitution

The Company's current constitution has not been amended since the Company listed on the Official List of ASX and was adopted by the Company on 20 June 2016.

Effective 1 December 2019 the ASX implemented changes to the escrow regime for restricted securities. The update to ASX Listing Rule 15.12 which requires a listed entity's constitution to contain certain provisions so long as an entity has "restricted securities" (as defined by the Listing Rules) on issue. These proposed amendments (if approved) provide the constitutional underpinning for ASX's modified escrow regime.

In addition, other administrative changes are proposed to assist with alignment of ASX Listing Rules (in relation to the transfer procedure for securities, this would be Listing Rule 8.14.1, which permits the Company to charge a reasonable fee to register a transfer of securities in limited circumstances) and reduce costs (in relation to the unmarketable parcel sale process).

Accordingly, the Company has prepared an amended Constitution (**New Constitution**) which incorporates the following key amendments:

- (a) *Restricted securities*: The Company shall comply in all respects with the requirements of the Listing Rules with respect to “restricted securities”. Without limiting the generality of the above:
 - (i) a holder of restricted securities must not dispose of, or agree or offer to dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;
 - (ii) if the securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the entity’s issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;
 - (iii) the entity will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;
 - (iv) a holder of restricted securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX; and
 - (v) if a holder of restricted securities breaches a restriction deed or a provision of the Company’s constitution restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.
- (b) *Registration of paper-based transfers of Securities*: Subject to compliance with the Listing Rules, a reasonable fee may be charged on the registration of paper-based transfers of Shares or other securities.
- (c) *Unmarketable parcel sale process*: The process will be drafted in compliance with Listing Rule 15.3, and the Company will be provided with the flexibility to distribute the proceeds of any sale via bank transfer, cheque or other means.

Prior to the Meeting, a copy of the New Constitution is available for review by Shareholders at the Company’s registered office during normal business hours. A copy of the New Constitution can also be sent to Shareholders of the Company upon a request being made to the Company Secretary.

A complete signed copy of the New Constitution will be tabled at the Meeting.

Pursuant to section 136(2) of the Corporations Act, a modification to the Company’s Constitution can only be effected by way of a Special Resolution passed by its Shareholders. Therefore, this Resolution is a Special Resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from a solicitor or other professional advisor.

Directors’ Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Enquiries

Shareholders are asked to contact Ms Carla Balanco, Company Secretary, on (+61 2) 9995 7280 if they have any queries in respect of the matters set out in these documents.

Glossary

2020 AGM means the annual general meeting of the Company's Shareholders to consider the financial report for the period ended 31 December 2019.

Annual Financial Report means the 2019 Annual Report to Shareholders for the period ended 31 December 2019 as lodged by the Company with ASX on 26 February 2019.

Annual General Meeting or **AGM** or **Meeting** means an Annual General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

ASIC means Australian Securities and Investment Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Auditor's Report means the auditor's report of HLB Mann Judd Assurance (NSW) Pty Ltd dated 26 February 2020 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means DroneShield Limited ACN 608 915 859.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "\$" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

KMP means key management personnel (including the Directors) who remuneration details are included in the Remuneration Report.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 26 June 2020 including the Explanatory Statement.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to this Notice of Meeting.

Remuneration Report means the remuneration report as set out in the Annual Financial Report.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

Securities mean Shares and/or Options (as the context requires).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Spill Meeting means the meeting that will be convened within 90 days of the 2021 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2020 AGM.

Spill Resolution means the resolution required to be put to Shareholders at the 2021 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2020 AGM.

Annexure A – Summary of Incentive Option Plan

The Company intends to adopt the Incentive Option Plan (**Plan**) to assist in the reward, retention and motivation of the Company's Directors, senior management, and other key employees.

Under the rules of the Plan, the Board has a discretion to offer any of the following awards to eligible participants:

- options to acquire Shares; and/or
- Shares, including to be acquired under a limited recourse loan funded arrangement,

In each case subject to vesting conditions and/or performance hurdles (collectively, the **"Awards"**).

The terms and conditions of the Plan are set out in comprehensive rules. A summary of the rules of the Plan is set out below:

- The Plan is open to Directors, senior management, and any other employees or contractors of the Company, as determined by the Board, who is declared to be eligible to participate in the Plan. Participation is voluntary.
- The Board may determine the type and number of Awards to be issued under the Plan to each participant and other terms of issue of the Awards, including:
 - the maximum number of Awards (Options and Shares) that the participant may apply for, or the formula for determining the number of Awards that may be applied for;
 - the exercise price;
 - whether the Company is granting the participant a loan in accordance with the Plan and the maximum loan amount;
 - any applicable vesting conditions; and
 - expiry date and other lapsing conditions.
- Each vested Award enables the participant to be issued one Share upon exercise, subject to the rules governing the Plan and the terms of any particular offer.
- Provided a participant complies with the rules on exercise of vested Awards, such participant may, subject to the terms of any offer, elect to exercise such vested Awards by way of a "cashless exercise". Where a participant makes such an election, rather than the participant being required to pay the exercise price for each vested Award, the Company will issue the participant with a smaller number of Shares on the exercise of the vested Awards representing the difference between the value of the Shares to be issued and the exercise price. Where the vested Awards are exercised by "cashless exercise", the Company will only issue such number of Shares as is equivalent to the number of vested Awards being exercised multiplied by the excess of the average Share price over the exercise price divided by the average Share price.
- Participants holding options or performance rights are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of Shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the Plan and the ASX Listing Rules. If there is a reorganisation (including consolidation, subdivision, reduction, return or special dividend) of capital, the rights of each Participant who has been allocated Awards will be adjusted in the manner required by the ASX Listing Rules applying at the time of reorganisation.
- The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of vested Awards, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.



DRONESHIELD LIMITED | ACN 608 915 859

AGM Proxy Card

If you are attending the virtual Meeting
please retain this Proxy Card
for online Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: DRO

Your proxy voting instruction must be received by **2:30pm (Sydney time) on Sunday 26 July 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the virtual Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the virtual Meeting online, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the virtual Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



Contact	Return your completed form		All enquiries to Automic	
	 BY MAIL Automic GPO Box 5193 Sydney NSW 2001	 IN PERSON Automic Level 5, 126 Phillip Street Sydney NSW 2000	 BY EMAIL meetings@automicgroup.com.au	 WEBCHAT https://automicgroup.com.au/
			 PHONE 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)	

[illegible]

Resolutions		For	Against	Abstain
1.	Adoption of Remuneration Report	☐	☐	☐
2.	Election of Jethro Marks as Director	☐	☐	☐
3.	ASX Listing Rule 7.1A Approval of Future Issue of Securities	☐	☐	☐
4.	Issue of Incentive Options to Director – Jethro Marks	☐	☐	☐
5.	Adoption of New Constitution	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED		
Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary
Contact Name:		
Email Address:		
Contact Daytime Telephone		Date (DD/MM/YY)
		/ /

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).