

Droneshield Limited - Voting Intentions Report 2026

Company/ASX Code	DroneShield Limited (DRO)
AGM time and date	Friday, 29 May 2026, 10:00am (AEST)
Location	Level 34, 161 Castlereagh Street, Sydney NSW 2000, Australia
Registry	Automic Pty Ltd
Type of meeting	Physical with a live webcast
Monitor	Rachel Waterhouse and Mary Curran
Pre-AGM Meeting	N/A

1. How we intend to vote

No.	Resolution description	
1	Financial Report, Directors' Report and Auditor's Report	No vote required
1	Adoption of Remuneration Report	Against
2	Election of Mr Hamish McLennan as Director	Undecided
3	Approval to Increase the Maximum Aggregate Amount of Non-Executive Directors' Fees	For
4	Issue of Performance Options to Mr Angus Bean, Managing Director	Against

2. Summary of Issues and Voting Intentions for AGM

- ASA encourages DroneShield to adopt a fully hybrid AGM format in future years, enabling shareholders to participate, ask questions, and vote in real time online, rather than limiting virtual participation to a webcast with pre-submitted voting only.
- ASA is concerned by the excessive realised remuneration outcomes for the outgoing CEO, driven by option vesting without effective windfall protection mechanisms.
- The remuneration framework continues to rely heavily on options and a single financial metric (revenue), which is not fully aligned with ASA's voting guidelines. ASA notes revenue recognition is also identified as a Key Audit Matter by the auditor.
- ASA has concerns regarding governance practices surrounding equity incentives, including the proposed grant of shares to the Chair-Elect for nil consideration and the absence of meaningful performance conditions.
- ASA notes the ongoing ASIC investigation relating to the Company's disclosure practices and subsequent share sales by directors following the correction of contract announcements.
- The Board is undergoing renewal following DroneShield's growth into the ASX 200 and increasing governance complexity.
- ASA is currently undecided on the election of Mr Hamish McLennan and seeks further clarity regarding:
 - the alignment of his experience with DroneShield's specific needs as a defence technology company;
 - governance concerns associated with the proposed Chair-Elect share grant; and
 - his capacity to effectively undertake the Chair role given his existing commitments (4 Listed Company Boards with 2 Chair roles)

3. Matters Considered

Governance

DroneShield has strengthened aspects of its governance framework following inclusion in the ASX 200, including the establishment of separate Audit & Risk and People, Culture & Remuneration Committees comprised solely of non-executive directors. The introduction of minimum shareholding requirements for directors and the CEO is also viewed positively.

However, ASA remains concerned by:

- the absence of effective windfall protection in the incentive framework;
- the continued use of options rather than performance rights;

- the automatic vesting of incentives on a change of control rather than pro-rata vesting based on performance and time served;
- the reliance on revenue as the primary incentive hurdle, despite revenue recognition being identified as a Key Audit Matter by the external auditor; and
- governance concerns associated with the proposed grant of approximately 50,270 shares to the Chair-Elect for nil consideration, with only a one-year holding condition attached.

ESG

The Company's ESG disclosure remains relatively limited, although this is not uncommon for a rapidly growing technology company. ASA expects disclosure to mature over time, particularly in relation to supply chain governance, risk management and environmental reporting as mandatory climate reporting requirements approach.

Board

The Board is currently in a period of transition and renewal as DroneShield evolves into a larger and more complex ASX-listed company.

ASA acknowledges Mr Hamish McLennan's listed company, governance, media, marketing and global leadership experience. These skills may support DroneShield's growth, investor engagement and market profile.

However, ASA would like to better understand how Mr McLennan's background aligns with DroneShield's specific requirements as a fast-growing defence technology company, including its operating environment, customer base, regulatory considerations and international growth strategy.

ASA also has concerns regarding the proposed grant of approximately 50,270 shares to Mr McLennan for nil consideration upon commencement as Chair-Elect. While the shares are to be acquired on-market and subject to a holding lock, ASA generally does not support "golden handshake" style equity grants without meaningful performance or service-based vesting conditions.

ASA would also welcome further disclosure regarding Mr McLennan's workload and capacity. Given his existing listed company chair and director commitments, shareholders would benefit from additional explanation from the Board as to how he will have sufficient time to effectively discharge the Chair role during a period of governance transition, regulatory scrutiny and increasing operational complexity.

Subject to the Company's response, ASA will finalise its voting intention on this resolution.

4. Financial History Table:

Year	2025	2024	2023	2022	2021
NPAT (\$m)	3.52	(1.32)	9.33	(0.95)	(5.31)
Underlying PBT (\$m)	33.26	-	-	-	-
Share Price (/)\$	3.08	0.77	0.37	0.23	0.18
Dividend (cents)	0.0	0.0	0.0	0.0	0.0
Simple TSR (%)	302.6	106.8	64.4	28.6	N/A
EPS (cents)	0.40	(0.20)	2.00	(0.20)	(1.30)
CEO Realised Rem (/)\$m)	47.97	16.36	4.61	0.38	1.19

[Annual Report 2025, Page 18, 21, 23, 25; Annual Report 2024, Page 22, 23; Annual Report 2023, Page 23]. Note: Underlying PBT represents a non-IFRS financial measure disclosed by management and may not be comparable across periods.

5. Rational for Voting Intentions

1. Adoption of Remuneration Report

ASA is voting **Against** the Remuneration Report. While the Company's financial performance and TSR have been exceptional, the realised remuneration outcomes for the CEO of nearly \$48 million is excessive and reflects a failure to implement effective windfall protection on option grants.

Furthermore:

- the STI is paid entirely in cash, contrary to ASA's preference for meaningful equity deferral;
- the LTI framework relies solely on revenue-based hurdles rather than a balanced scorecard approach incorporating multiple performance measures such as relative TSR; and
- the continued use of options rather than performance rights is inconsistent with evolving governance expectations for larger ASX-listed companies.

ASA also notes that revenue recognition has been identified by the external auditor as a Key Audit Matter, increasing the importance of ensuring remuneration outcomes are not overly dependent on a single financial metric.

Shareholders would also benefit from additional disclosure regarding the operation of malus and clawback provisions, particularly in light of the ongoing ASIC investigation and the substantial volume of outstanding equity incentives held by executives.

2. Election of Mr Hamish McLennan as Director

ASA is currently **undecided** on the election of Mr Hamish McLennan as Director.

ASA acknowledges Mr McLennan's listed company, governance, media, marketing and global leadership experience. These capabilities are relevant to DroneShield's continued growth, investor engagement and international profile.

However, ASA would like further clarity regarding how Mr McLennan's experience aligns with DroneShield's specific needs as a fast-growing defence technology company, including its operating environment, customer base, regulatory obligations, and international growth strategy.

ASA also has concerns regarding the proposed grant of approximately 50,270 shares to Mr McLennan for nil consideration upon appointment as Chair-Elect. ASA generally does not support sign-on-style equity grants that are not subject to meaningful performance hurdles or extended vesting conditions.

In addition, ASA would welcome further information regarding Mr McLennan's workload and capacity. Given his existing listed company chair and director commitments, shareholders would benefit from greater assurance that he will have sufficient time to effectively discharge the Chair role during a period of board renewal, governance transition and increasing complexity for the Company.

ASA also notes the current ASIC investigation relating to the Company's disclosure practices and subsequent director share sales, which further increases the importance of strong governance oversight and Board capacity.

Subject to the Company's response, ASA will finalise its voting intention on this resolution.

3. Approval to Increase the Maximum Aggregate Amount of Non-Executive Directors' Fees

ASA is voting **for** the increase in the NED fee pool from \$800,000 to \$1,700,000. The increase is justified by the Company's rapid growth into the ASX 200, the expansion of the Board, and the transition to a cash-only fee structure. Benchmarking indicates that the current fee pool is below the 25th percentile (P25) for peer companies, and the proposed increase remains below the market median (P50) while also allowing for the payment of committee fees for the first time.

4. Issue of Performance Options to Mr Angus Bean, Managing Director

ASA is voting **Against** the grant of Performance Options to Mr Angus Bean. While the performance hurdles are quantifiable and appropriately challenging, ASA does not generally support the use of options rather than performance rights for mature ASX-listed companies. In addition, the LTI framework relies solely on a single financial metric (revenue), whereas ASA prefers at least two performance measures, such as relative TSR, to support a more balanced assessment of performance. ASA also remains concerned by the automatic vesting of incentives upon a change of control, rather than vesting on a pro-rata basis subject to performance and service conditions.

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6. Appendix 1: CEO Remuneration Framework table - FY2025

Rem Component	Target \ \$m	% of Total	Max. Opp \ \$m	% of Total
Fixed	0.88	34.1%	0.88	34.1%
STI-Cash	Not Disclosed	-	0.85	32.95%
STI-Equity	0.00	0.0%	0.00	0.0%
LTI	0.85	32.95%	0.85	32.95%
Total	Not Disclosed	-	2.58	100%

- **Fixed:** Base salary (\$850,000) plus superannuation (\$29,966) for Oleg Vornik.
- **STI-Cash:** Maximum opportunity was 1x base salary (\$850,000), paid entirely in cash. No specific "Target" was disclosed in snippets; performance was assessed against a \$107m revenue hurdle.
- **STI-Equity:** The framework did not include an equity component for the FY2025 STI.
- **LTI:** Maximum LTI was 1x base salary (\$850,000), delivered via Performance Options.
- **CEO Realised Remuneration Note:** Realised Remuneration for FY2025 was \$47,969,392. This represents 1,859% of the \$2.58m Maximum Opportunity, an extreme outlier caused by the vesting of high volumes of options during a record share price peak.

[Annual Report 2025, Page 18, 19, 21, 25]