

Governance Review and Response to ASX Direction

DroneShield Limited (ASX:DRO) (DroneShield or the Company) refers to its ASX announcement on 22 December 2025, which detailed the actions undertaken by the Board following completion of the recent Governance Review.

Scope and key findings of the Governance Review

DroneShield first announced the Board's decision to conduct the Governance Review in a market announcement on 20 November 2025 which was issued in response to a letter from ASX on 13 November 2025.

ASX's letter was prompted by the circumstances outlined in the 20 November 2025 announcement relating to the sale by three directors of DroneShield shares during the period from 6 to 12 November 2025, the withdrawal by DroneShield of a market announcement released on 10 November 2025 and the related halt to trading in DroneShield's shares on that day, and the share price movements referred to in ASX's 13 November 2025 letter.

The Board's decision to conduct the review reflects its determination that DroneShield's practices around market disclosure and trading by directors and senior executives should reflect best practice for ASX200 companies, consistent with the Board's wish to enhance governance systems as the Company grows and matures. The Board understands the importance of these matters to DroneShield's investors.

The Governance Review was overseen by independent directors Simone Haslinger and Richard Joffe and conducted by Herbert Smith Freehills Kramer. The review examined DroneShield's Disclosure Policy and Trading Policy in the context of the factual circumstances described above, in order to assess whether those policies were adequate and operating effectively.

The Governance Review found that a number of improvements should be made to the content of DroneShield's Disclosure and Trading Policies and related processes to strengthen and align them with market practice and expectations of an ASX200 company.

In relation to the Trading Policy, the Governance Review recommended:

- The introduction of a "front page test" for trading by directors and all employees to protect against the perception of inappropriate trading;
- Distinguishing between the normal restrictions applicable to all employees and the additional restrictions on trading by directors and senior executives;
- Extending the blackout periods on trading by directors and senior executives so that they apply from the end of each financial year, half-year and quarter through to the day following the release of the respective financial results; and
- Improving trading approval processes including the introduction of a central point of notification and additional approvers for trading by directors.

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In relation to the Disclosure Policy, the Governance Review recommended:

- The establishment of a disclosure committee and related processes for review and approval of market announcements;
- Clarifying the responsibilities of all employees and the role of the Board with respect to market disclosures; and
- Additional detail on communication protocols and blackout periods to minimise the risk of inadvertent or inappropriate disclosure of information.

In addition, the Governance Review recommended:

- The introduction of a Minimum Shareholding Policy for directors and senior executives as a means of ensuring that the interests of directors and the senior executive team continue to be aligned with the interests of investors;
- A training program for directors and senior executives on the updated Disclosure and Trading Policies, with a broader awareness program being introduced for all employees of their obligations under these policies; and
- A review of verification processes for market announcements to ensure that announcements are accurate and complete.

Action taken

To address the findings of the Governance Review, the Board has since updated its previous policies with the adoption of a new Trading Policy and a new Disclosure Policy, which are appropriate for an ASX200 company. These policies are available on the Company's website at www.droneshield.com/investor-relations and the new Trading Policy was released to the market today. The key changes in these policies include all of the recommendations of the Governance Review as outlined above.

In addition, the Board has now established a mandatory Minimum Shareholding Policy for all directors and members of senior executives. The CEO will be expected to hold ordinary shares in the Company equivalent in value to 200% of his annual salary within 12 months from the establishment of the policy and each director will be expected to hold ordinary shares in the Company equivalent in value to their annual base fee within 3 years from the establishment of the policy.

The Company has also completed a review and uplift of verification processes for ASX announcements, as flagged in its 22 December 2025 market announcement.

The Board and senior executives have already commenced training on these policies to help embed the required standards and behaviours across the business. This will be followed by training for all employees, both at the time of employee onboarding and periodic refresher training to ensure awareness of the policies so that standards and behaviours are maintained across the Company.

The Board and senior executive team are committed to continuous improvement to ensure that DroneShield's governance practices have the confidence of our shareholders.

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ASX has directed the Company under Listing Rule 18.8 to publish this information to the market to assist investors in understanding and assessing the adequacy of the Governance Review, having regard to the concerns expressed by ASX about the adequacy of:

- DroneShield's arrangements for ensuring compliance with its continuous disclosure obligations; and
- DroneShield's Trading Policy,

and ASX's assessment of the market impact of DroneShield's withdrawal of its 10 November market announcement and its disclosure of the trading by directors in DroneShield shares outlined above.

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.

To learn more about DroneShield click here: www.dronesield.com/about

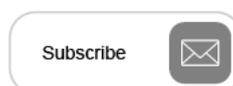
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