



Dragontail Systems Limited
ACN 614 800 136

2021 Notice of Annual General Meeting

**2020 Annual General Meeting to be held at
Level 9, 40 St George's Terrace, Perth WA 6000, Australia on
Monday, 31 May 2021 commencing at 12.00pm (WST).**

The Board has made the decision that it will hold a physical meeting with the appropriate social gathering and physical distancing measures in place to comply with the Federal Government's and State Government's current restrictions for physical gatherings.

ASIC has adopted a temporary 'no-action' position in relation to the convening and holding of virtual meetings. The position follows on from the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020 which expired on 21 March 2021. ASIC's 'no action' policy facilitates electronic dispatch of notices of meeting.

Accordingly, the Company will not be sending hard copies of the Notice of Meeting to shareholders who have not previously opted in to receiving electronic copies. For shareholders that the Company has email addresses on records, the Company will send a copy of this Notice and material relating to the Meeting or provide a link to where the Notice and other material can be viewed or downloaded by email. To the other Shareholders, the Company will send a letter setting out a URL for viewing or downloading the Notice and other material. If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

IMPORTANT

This 2021 Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2021 Annual General Meeting (AGM) of Shareholders of Dragontail Systems Limited ("**Company**") will be held at Level 9, 40 St George's Terrace, Perth WA 6000, Australia on Monday 31 May 2021, commencing at 12.00pm (WST).

The Explanatory Statement and Proxy Form accompanying this Notice of Meeting are incorporated in, and comprise part of, this Notice of meeting.

Items of Business

1. Financial Statements and Reports

To receive and consider the Company's financial statements and the reports for the year ended 31 December 2020.

2. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass, the following as an advisory and non-binding **ordinary resolution**:

"That the Remuneration Report for the year ended 31 December 2020 be adopted and approved."

3. Resolution 2 – Re - election of Director – Mr Ron Zuckerman

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

"That Ron Zuckerman, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

4. Resolution 3 – Re - election of Director – Mr Adam Sierakowski

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

"That Adam Sierakowski, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company."

5. Resolution 4 – Approval of additional 10% placement capacity

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

"That for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

6. Resolution 5 – Replacement of Constitution

To consider and, if thought fit, pass the following resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes.”

7. Resolution 6 – Re-Approval of Employee Incentive Plan

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That in accordance with Exception 13 of Listing Rule 7.2, and for all other purposes, Shareholders re-approve the Employee Incentive Plan, as described in the Explanatory Memorandum.”

By order of the Board



Stephen Hewitt-Dutton
Company Secretary
Dragontail Systems Limited

21 April 2021

Voting Exclusion Statement

1. Resolution 1 – Remuneration Report

In accordance with Section 250R of the Corporations Act, a vote on Resolution 1 must not be cast by, or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or Closely Related Party of such member.

However, the Company will not disregard a vote if:

- (a) The person is acting as proxy, the proxy form specifies how the proxy is to vote and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) The person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of the member of the Key Management Personnel.

7. Resolution 6 – Re-Approval of Employee Incentive Plan

The Company will disregard any votes cast in favour of this Resolution by or on behalf of: any Person who is eligible to participate in the employee incentive scheme in respect of which approval is sought or any of their Associates.

- a) a Person who is eligible to participate in the employee incentive scheme; or
- b) an associate of those persons;

However, this does not apply to a vote cast in favour of the resolution by:

- a) 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, or
- b) 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
- c) a holder 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.

INFORMATION FOR SHAREHOLDERS

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 12.00pm (WST) on Saturday 29 May 2021. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the Annual General Meeting.

Virtual Attendance

The Company has determined that official attendance and voting will not be conducted virtually. Accordingly, shareholders wishing to vote on the resolutions to be put to the meeting are encouraged to lodge their vote by proxy.

Due to uncertainty regarding the level of COVID-19 related travel restrictions around the time of the meeting, the Company has determined that Shareholders will have the opportunity to view the Meeting online.

EXPLANATORY STATEMENT

The accompanying Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this notice of Annual General Meeting and the Explanatory Statement.

1. Financial Statements and Reports

The 2020 Annual Report, which includes the Directors' Report and Auditor's Report for the financial year ended 31 December 2020, is available on the Company's website: www.dragontailsystems.com/financial-reports.

Shareholders will be given a reasonable opportunity to ask questions about or make comments on the management of the company. The Company's auditors will also attend the meeting and be available to receive questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit,

This item of business does not require Shareholders to vote on a Resolution or adopt the received reports.

2. Resolution 1 – Remuneration Report

As required by the Corporations Act, the Board presents the Remuneration Report for the year ended 31 December 2020 (Remuneration Report) to shareholders for consideration and adoption by a non-binding vote.

Shareholders will be given a reasonable opportunity at the meeting to comment on and ask questions about the Company's Remuneration Report.

The Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Remuneration Report can be found on pages 7 to 13 of the 2020 Annual Financial Report. Copies of the Annual Financial Report are available on the Company's website at www.dragontailsystems.com/financial-reports or can be obtained from the Share Registry either by email at admin@advancedshare.com.au or by telephone on (08) 9389 8033.

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on this Resolution at the Meeting are against the adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the Meeting, the Company's Remuneration Report will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at the Company's 2022 annual general meeting, at least 25% of the votes cast on the resolution for the adoption of the Remuneration Report for the relevant year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the Company's 2022 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has been adopted by a resolution of the Board. The Directors have resolved in favour of the Remuneration Report and recommend it to Shareholders for adoption.

3. Resolution 2 – Election of Director – Mr Ron Zuckerman

Ron Zuckerman retires in accordance with Clause 11.1(c) of the Constitution. Resolution 2 is an ordinary resolution which seeks Shareholder approval of the re-election of Ron Zuckerman. Being eligible, Ron Zuckerman offers himself for re-election as a Director

Ron Zuckerman has been active as a tech entrepreneur and investor for most of the last 25 years.

Mr Zuckerman was one of the founders of Sapiens International, a software company he took public on NASDAQ in 1990 and which is currently trading with a market cap of over \$700m. Ron acted as Chairman and CEO of Sapiens from early 1995 until late 1999.

He was the founder and Executive Chairman of Precise Software Solutions, another software company he took public on NASDAQ in 2000, until its acquisition in late 2003 by VERITAS in a cash transaction valued at over \$600m.

Mr Zuckerman was a founder, first round investor and a board member in GVT Holding SA, a large telephone operator in Brazil until its acquisition in late 2009 by The Vivendi Group of France for over \$4.7 Billion. Ron was an early investor and a board member at Wintegra Inc. which was acquired in 2010 by PMC Sierra for over \$200M.

In 2000, Mr Zuckerman was chosen by the World Economic Forum as leading one of the most influential tech ventures (i.e. Sapiens), together with such individuals as Masayoshi Son of SoftBank Group, Jerry Yang of Yahoo! and Michael Dell of Dell Computers.

Directors Recommendation

The Directors other than Mr Zuckerman recommend that shareholders vote in favour of Resolution 2.

4. Resolution 3 – Re-election of Director – Mr Adam Sierakowski

Adam Sierakowski retires in accordance with Clause 11.1(c) of the Constitution. Resolution 3 is an ordinary resolution which seeks Shareholder approval of the re-election of Adam Sierakowski.

Being eligible, Adam Sierakowski offers himself for re-election as a Director.

Adam Sierakowski is a lawyer and a founding director of the legal firm Price Sierakowski. He has over 20 years of experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed entities.

Mr Sierakowski is also a co-founder and director of Perth based corporate advisory business, Trident Capital, where for 15 years he has advised a variety of large private and public companies on structuring their transactions and coordinating fundraisings both domestically and overseas.

Directors Recommendation

The continuing Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

5. Resolution 4 – Approval of additional 10% placement capacity

Resolution 4 is a **special resolution** to approve the Company's ability to utilise the additional 10% placement capacity available under Listing Rule 7.1A for the next 12 months.

This Resolution 4 will be passed by Shareholders as a special resolution if 75% of the votes cast by Shareholders present and eligible to vote (whether in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of it.

5.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (10% Placement Capacity). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity as it is not included in the S&P/ASX 300 and its market capitalisation based on the closing share price on 20 April 2021 is \$54m.

Shareholder approval was previously obtained pursuant to Listing Rule 7.1A on 30 July 2020 (at the 2020 Annual General Meeting). The Company is now seeking Shareholder approval by way of a special resolution to enable the Company's to issue Equity Securities under the 10% Placement Capacity over the next 12 months.

If Resolution 4 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 4 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.

The exact number of Equity Securities to be issued under the 10% placement capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

5.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% placement capacity is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% placement capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of the Notice, the Company has the following quoted Equity Securities on issue:

- 285,988,462 ordinary shares.

(c) Formula for calculating 10% placement capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary securities issued in the relevant period under an exception in rule 7.2 other than exception 9, 16 or 17,
- plus the number of fully paid ordinary securities issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,
- plus the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under these rules to have been approved, under rule 7.1 or rule 7.4,
- plus the number of any other fully paid ordinary securities issued in the relevant period with approval under rule 7.1 or rule 7.4,

Note: This may include fully paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 17 where the issue is subsequently approved under rule 7.1.

- plus the number of partly paid ordinary securities that became fully paid in the relevant period,
- less the number of fully paid ordinary securities cancelled in the relevant period.

Note: A has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by the holders of the Company's ordinary securities under rule 7.4.

(d) ASX Listing Rules 7.1 and 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (please refer to section c above).

(e) Minimum issue price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average market price of Equity Securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- i. the date on which the price at which the Equity Securities are to be issued is agreed; or
- ii. if the Equity Securities are not issued within 10 trading days of the date in section i, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% placement capacity under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- i. the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- ii. The time and date of the Company's next annual general meeting; or
- iii. the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (**10% Placement Period**).

5.3 Specific Information Required by ASX Listing Rule 7.3A

In accordance with Listing Rule 7.3A, the following information is provided to Shareholders in relation to the 10% placement capacity.

1. The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average market price for the Company's Equity Securities in the same class calculated over the 15 trading days immediately before:
 - a. the date on which the price at which the Equity Securities are to be issued is agreed; or
 - b. if the Equity Securities are not issued within 10 trading days of the date in Section 5.3 (1) (a), the date on which the Equity Securities are issued.
2. If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% placement capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
 - a. the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
 - b. the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice.

The table also shows:

- i. two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at future meetings of Shareholders; and
- ii. two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable A in Listing Rule 7.1A.2		Dilution		
		\$0.095 50% decrease in market price	\$0.19 current market price	\$0.285 50% increase in market price
Current variable "A" 285,988,462	10% voting dilution	28,598,846 Shares	28,598,846 Shares	28,598,846 Shares
	Funds raised	\$2,716,890	\$5,433,781	\$8,150,671
50% increase in current variable "A" 428,982,693	10% voting dilution	42,898,269 Shares	42,898,269 Shares	42,898,269 Shares
	Funds raised	\$4,075,336	\$8,150,671	\$12,226,007
100% increase in current variable "A" 571,976,924	10% voting dilution	57,197,692 Shares	57,197,692 Shares	57,197,692 Shares
	Funds raised	\$5,433,781	\$10,867,561	\$16,301,342

Notes and assumptions

1. The Company issues the maximum number of Equity Securities available under the 10% placement capacity.
 2. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 3. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% placement capacity, based on that Shareholder's holding at the date of the Annual General Meeting.
 4. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 5. The issue of Equity Securities under the 10% placement capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 6. The issue price is \$0.19, being the closing price of the Shares on the ASX on 20 April 2021.
3. The Company will only issue the Equity Securities during the 10% Placement Period being the 12 months from 31 May 2021 to 31 May 2022. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a further transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking)).

At the date of this notice the Company does not propose to make an issue of Equity Securities under Listing Rule 7.1A.2.

4. The Company may seek to issue the Equity Securities under the 10% placement capacity to raise funds for working capital and further development of its "Algo" Dispatch System and the QT camera quality control system.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon any issue of Equity Securities.

5. The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement capacity. The identity of the persons to whom the Equity Securities will be issued will be determined on a case-by-case basis having regard to factors which include the following:
 - a. the purpose of the issue;
 - b. the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issues in which existing Shareholders can participate;
 - c. the effect of the issue of the Equity Securities on the control of the Company;
 - d. the financial situation and solvency of the Company;
 - e. prevailing market conditions; and
 - f. advice from corporate, financial and broking advisers (if applicable).

The persons to be issued securities under the 10% placement capacity have not been determined as at the date of the Notice but are likely to be investors which are sophisticated or professional investors (or both) for the purposes of section 708 of the Corporations Act who are not related parties or associates of a related party of the Company.

6. The Company did not issue any shares under Listing Rule 7.1A.2 during the 12 months preceding the meeting (LR7.3A.6).
7. A voting exclusion statement (if required) is included in the Information Statement (above).

Directors' Recommendation

The Directors believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 4.

6. Resolution 5 – Replacement of Constitution

Resolution 5 is a special resolution which seeks to approve the repealing of the existing Constitution and adopt a new constitution ("**Proposed Constitution**") which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules. A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

The replacement of the Constitution requires approval for all purposes by way of a special resolution, meaning that at least seventy-five percent (75%) of votes must be cast in favour of the Resolution in order for it to be passed.

The Proposed Constitution will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2016. The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A brief summary of the material proposed differences between the existing and Proposed Constitution is set out below. This summary is not exhaustive and does not identify all of the differences between the existing Constitution and Proposed Constitutions. A copy of the Proposed Constitution is available for review by Shareholders at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Share Registry either by email at admin@advancedshare.com.au or by telephone on (08) 9389 8033. Shareholders are invited to contact the Company if they have any queries or concerns.

If Resolution 5 is passed the Company's Constitution will be replaced by the Proposed Constitution which is updated and appropriate for a company listed on ASX. If Resolution 5 is not passed the Company will retain its Constitution, which was adopted in 2016 and contains clauses which do not take into account amendments to the Corporations Act and ASX Listing Rules.

Summary of Material Proposed Changes

(a) General Update

The Proposed Constitution generally updates the various provisions in a variety of respects to reflect industry best practice, the Corporations Act and the Listing Rules in a form approved by the ASX.

(b) Restricted Securities

The Company notes the changes to the escrow of securities contained in ASX Listing Rules 9 and 15.12 and ASX Guidance Note 11 dated 1 December 2019.

To facilitate the Company complying with this change to the Listing Rules, the Company proposes to reflect these changes at clause 3.9 of the Proposed Constitution.

(c) Partial (Proportional) Takeover Provisions (Clause 14)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

(d) Qualifications of Directors

Clause 11.3 of the Constitution currently prohibits a person of or over the age of 72 years being appointed or re-appointed as a Director except pursuant to a resolution of the Company in accordance with the Corporations Act. Clause 11.3 resulted from a now repealed provision of the Corporations Act. As such this is no longer required.

These changes now allow directors to be appointed or re-appointed as a Director when they are aged 72 years or above.

(e) Registration Procedure for Transfer of Shares

In 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a “reasonable fee” for registering paper-based transfers, sometimes referred to as “off-market transfers”. Proposed new Clause 6.2(a)(v) of the Constitution enables the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Information required by section 648G of the Corporations Act

(a) Effect of Proposed Proportional Takeover Provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

(b) Reasons for Proportional Takeover Provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(c) Knowledge of any Acquisition Proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

(d) Potential Advantages and Disadvantages of Proportional Takeover Provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- assisting in preventing Shareholders from being locked in as a minority;

- increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- proportional takeover bids may be discouraged;
- lost opportunity to sell a portion of their Shares at a premium; and
- the likelihood of a proportional takeover bid succeeding may be reduced.

Directors' Recommendation

The Directors unanimously recommend that Shareholders approve Resolution 5.

7. Resolution 6 – Re-approval of Employee Incentive Scheme

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Under Exception 13 in Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to Listing Rule 7.1. If such approval is obtained, Listing Rule 7.1 does not apply to an issue of equity securities in the Company made under an employee share option plan within three years of the approval.

If such an approval is not obtained, then issues under the Company's Employee Incentive Plan will reduce the Company's annual 15% placement capacity by the number of Securities issued under the Plan. This may affect the Company's flexibility to issue additional equity securities in future without first obtaining Ordinary Shareholder approval.

The grant of any securities to a director of the Company will require specific approval under Listing Rule 10.14.

Listing Rule 7.2 Exception 13(b) requires the following additional information to be provided to members for approval under this Resolution:

(a) *Incentives already issued*

The Company has previously issued 22,241,666 Securities pursuant to the Plan since last approved on 21 May 2018. It is also noted, of the Securities issued, 9,725,000 have lapsed, 3,450,000 have been exercised by the holder. There is currently 9,066,666 Securities on issue of which 4,841,666 are vested and convertible.

(b) *Maximum number of securities to be issued*

The maximum number of Securities proposed to be issued under the Plan, following Shareholder approval, is up to 14,299,423 Securities. It is not envisaged that the maximum number of Securities for which approval is sought will be issued immediately.

(c) *Employee Incentive Plan Summary*

The key terms of the Plan are summarised below.

7.1 Summary of the Plan

(a) Objectives

The purpose of the Plan is to:

- (i) assist in the reward, retention and motivation of Eligible Participants;
- (ii) link the reward of Eligible Participants to performance and the creation of Shareholder value;
- (iii) align the interests of Eligible Participants more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to receive Shares;
- (iv) provide Eligible Participants with the opportunity to share in any future growth in value of the Company; and
- (v) provide greater incentive for Eligible Participants to focus on the Company's longer term goals.

(b) Eligible Participants

- (i) a Director (whether executive or non-executive) of any Group Company;
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company to the extent permitted by the Class Order; or
- (iv) a prospective participant, being a person to whom the Offer is made but who can only accept the Offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under Rules (a), (b) or (c) above,

who is declared by the Board to be eligible to receive grants of Options under the Plan.

(c) Option Rights

Unless the Board determines otherwise, Options granted under the Plan are not capable of being transferred or encumbered by a Participant. Options do not carry any voting or dividend rights however Shares issued to Participants on the exercise of an Option carry the same rights and entitlements as other Shares on issue. The Company will not seek quotation of any Options on the ASX however will seek quotation for Shares issued on the exercise of Options.

(d) Vesting Conditions

The Board may determine that Options granted to Participants under the Plan will be subject to Vesting Conditions, which must be detailed in the Offer. The nature and content of the Vesting Conditions are to be determined by the Board in its discretion.

(e) Change of Control of Events

In the event of a Change of Control (as defined under the Plan), the Board may in its absolute discretion waive any Vesting Conditions applicable to the Options.

If a company (“**Acquiring Company**”) obtains control of the Company as a result of a Change of Control event and both the Company and the Acquiring Company agree, a

Participant may, in respect of any vested Options that are exercised, be provided with shares of the Acquiring Company, or its parent, in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the Shares, but with appropriate adjustments to the number and kind of shares subject to the Options.

(f) **Cessation of Employment**

Unless determined otherwise by the Board, if a Participant ceases to be a director, employee or a contractor of any member of the Company's group, being associated bodies corporate of the Company, due to his or her resignation, redundancy, dismissal for cause or poor performance on or before the vesting of Options, the Options will lapse.

If a Participant ceases to be a director, employee or a contractor of any member of the Company's group, being associated bodies corporate of the Company, due to his or her resignation, redundancy dismissal for cause or poor performance during the exercise period, has not exercised vesting Options within 1 month (or such later date as the Board determines) after the termination date, the Options will lapse.

(g) **Fraud and Related Matters**

The Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant.

(h) **Reconstruction of Capital**

If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), the terms of the Options will be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(i) **Participation Rights**

Holders of Options issued under the Plan may only participate in new issues of securities by the Company if they have first exercised their Options within the relevant exercise period and become a shareholder of the Company prior to the relevant record date and are then only entitled to participate in relation to Shares of which they are a registered holder.

(j) **Compliance with Laws**

In relation to residents of Australia, Options may not be granted and/or Shares may not be allotted and issued, acquired, transferred or otherwise dealt with under the Plan if to do so would contravene the Corporations Act or any other applicable laws or regulations. The Plan Rules contain customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the Plan.

In relation to non-residents of Australia, The Board may adopt additional rules of the Plan applicable in any jurisdiction outside Australia under which rights offered under the Plan may be subject to additional or modified terms, having regard to any securities, exchange control or taxation laws or regulations or similar factors which may apply to the Participant or to any Group Company in relation to the rights. Any additional rule must conform to the basic principles an Option of the Plan.

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Associate	has the meaning set out in sections 11 to 17 of the Corporations Act, as applicable and as applied in accordance with the note to Listing Rule 14.11.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.
Board	board of Directors.
Business Day	a day that is not a Saturday, Sunday, public holiday or bank holiday in Perth, Western Australia.
Chair	Yehuda Shamai
Closely Related Party	means a closely related party of a member of Key Management Personnel as defined in Section 9 of the Corporations Act, being: <ul style="list-style-type: none">(a) a spouse or child of the member;(b) a child of that member's spouse;(c) a dependant of that member or of that member's spouse;(d) anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company;(e) a company that is controlled by that member; or(f) any other person prescribed by the regulations.
Company	Dragontail Systems Limited (ACN 614 800 136).
Constitution	Constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	director of the Company.
Explanatory Statement	this Explanatory Statement accompanying the Notice of Meeting.
Key Management Personnel	means the key management personnel of the Company as defined in Section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).
Listing Rules	the official listing rules of the ASX as amended from time to time.
Notice of Meeting	the notice convening the Extraordinary General Meeting which accompanies this Explanatory Statement.
Related Party	the meaning give to that term in the Corporations Act.
Resolutions	the resolutions set out in the Notice of Meeting.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	shareholder of the Company.
Voting Power	the meaning given to that term in the Corporations Act.
WST	Western Australian Standard Time.

LODGE YOUR PROXY APPOINTMENT ONLINE



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MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

2021 ANNUAL GENERAL MEETING PROXY FORM

I/We being shareholder(s) of Dragontail Systems Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chair of the Meeting **OR**



PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at **Level 9, 40 St George's Terrace, Perth WA 6000, Australia on 31 May 2021 at 12.00pm (WST)** and at any adjournment or postponement of that Meeting.

Chair's voting intentions in relation to undirected proxies: The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intentions on any Resolution. In the event this occurs, an ASX announcement will be made immediately disclosing the reasons for the change.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though this resolution is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chair.

VOTING DIRECTIONS

Resolutions

	For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Mr Ron Zuckerman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director – Mr Adam Sierakowski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of additional 10% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Re-Approval of Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf 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 SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution 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 resolution 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 a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chair) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Resolution 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolution 1.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as they see fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance with Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 12.00pm (WST) on 29 May 2021, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 6370 4203



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033