

**DEPARTMENT 13 INTERNATIONAL LIMITED
ACN 155 396 893**

NOTICE OF GENERAL MEETING

**General meeting to be held at RSM Bird Cameron Partners,
Level 13, 60 Castlereagh Street, Sydney NSW 2000 on
Thursday, 13 July 2017, commencing at 11am (AEST).**

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9489 4980.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

DEPARTMENT 13 INTERNATIONAL LIMITED

ACN 155 396 893

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Department 13 International Limited ACN 155 396 893 (**Company**) will be held at RSM Bird Cameron Partners, Level 13, 60 Castlereagh Street, Sydney NSW 2000 on Thursday, 13 July 2017, commencing at 11am (AEST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on Tuesday, 11 July 2017 at 7.00pm (AEST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

AGENDA

1. Resolution 1 - Selective reduction of capital

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

"That, pursuant to and in accordance with section 256C of the Corporations Act, and for all other purposes, approval is given for the Company to selectively reduce its capital by cancelling 284,000,000 Class A Performance Shares for nil consideration and on the terms and conditions set out in the Explanatory Memorandum."

2. Resolution 2 - Ratification of prior issues of Shares

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

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the following issues of Shares on the terms and conditions in the Explanatory Memorandum:

- (a) 52,000,000 August 2016 Placement Shares issued under Listing Rule 7.1;
- (b) 633,413 Consultant Shares issued under Listing Rule 7.1
- (c) 2,800,000 May 2017 Placement Shares issued under Listing Rule 7.1; and
- (d) 41,550,322 May 2017 Placement Shares issued under Listing Rule 7.1A."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associate or nominee of such a person) who participated in the issue of the Shares.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 - Participation in May 2017 Placement by Timothy Davies

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

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 600,000 May 2017 Placement Shares to Mr Timothy Davies (or his nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Timothy Davies (and his nominees) and any of their respective associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE DIRECTORS

Jonathan Hunter
Chairman and CEO

Dated: 12 June 2017

DEPARTMENT 13 INTERNATIONAL LIMITED

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EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at RSM Bird Cameron Partners, Level 13, 60 Castlereagh Street, Sydney NSW 2000 on Thursday, 13 July 2017, commencing at 11am (AEST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolution will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolution:

Section 2	Action to be taken by Shareholders
Section 3	Resolution 1 - Selective Reduction of Capital
Section 4	Resolution 2 - Ratification of prior issue of Shares
Section 5	Resolution 3 - Participation in Placement by Timothy Davies
Schedule 1	Definitions
Schedule 2	Performance Share Holders
Schedule 3	Terms and conditions of Class A Performance Shares

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.2 Proxies

(a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are

unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company 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.

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
- (iii) if the proxy is the Chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the Chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-Chair proxy to Chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the Chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

3. Resolution 1 - Selective Reduction of Capital

3.1 Background

The Company was reinstated to quotation having re-complied with Chapters 1 and 2 of the Listing Rules to facilitate the backdoor listing of D13 on 13 January 2016 (**Quotation Date**).

The Company is a technology and software company that is developing software and communications systems that have the potential to transform the networking and communications fields as well as current applications in drone defence, mobile phone IT security and secure enhanced Android phone systems.

As part consideration for the acquisition of D13 by the Company, 284,000,000 Class A Performance Shares (being Shares issued on the terms and conditions set out in Schedule 3) (**Class A Performance Shares**) were issued by the Company.

In accordance with Appendix 9B of the Listing Rules, the Class A Performance Shares are classified as restricted securities and are to be held in escrow for 24 months from the Quotation Date. The escrow period on the Class A Performance Shares is due to expire on 13 January 2018.

There are 14 Class A Performance Shareholders currently holding the total of 284,000,000 Class A Performance Shares (representing approximately 32% of issued capital on a fully diluted basis) (**Performance Share Holders**).

The Company has now determined, in consultation with the Performance Share Holders, that its capital structure would be more attractive to future investment and suit a potential future US securities exchange listing if the Class A Performance Shares were cancelled (**Proposed Selective Reduction of Capital**).

The Class A Performance Shares remain subject to milestone vesting conditions as set out in the schedule and are subject to escrow until 13 January 2018.

The Company understands that the Performance Share Holders have taken the view that it is in the Company's interests to materially support the Company's strategy by agreeing to participate in the Proposed Selective Reduction of Capital. The Company has received irrevocable undertakings from holders representing greater than 75% of the Class A Performance Shares agreeing to the Proposed Selective Reduction of Capital.

Importantly:

- (a) none of the Performance Share Holders paid cash for their Class A Performance Shares; and
- (b) all the Class A Performance Shares issued to the Performance Share Holders are the subject of restriction agreements entered into pursuant to Listing Rule 9.1 (**Restriction Agreements**).

The identities of the Performance Share Holders and their shareholdings in the Company are set out in Schedule 2.

3.2 Corporations Act

Pursuant to Section 256C of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting

of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced.

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the Company's insolvency;
- (b) seeking to ensure fairness between the shareholders of the Company; and
- (c) requiring the Company to disclose all material information.

In particular, Section 256B of the Corporations Act requires that a company may only reduce its capital if:

- (a) it is fair and reasonable to the shareholders as a whole;
- (b) it does not materially prejudice the company's ability to pay its creditors; and
- (c) it is approved by shareholders in accordance with section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to shareholders.

3.3 Reasons for the resolution

The proposed cancellation of the Class A Performance Shares is a selective reduction of capital for the purposes of the Corporations Act. No consideration is being paid by the Company to the Performance Share Holders for the Proposed Selective Reduction of Capital.

Section 256C of the Corporations Act has the effect that Shareholders must approve the Proposed Selective Reduction of Capital by passing special resolutions at:

- (a) a general meeting of Shareholders (**General Meeting**); and
- (b) a meeting of the Performance Share Holders (**Special Meeting**).

Resolution 1 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.

If Shareholders approve Resolution 1, and subject to the Performance Share Holders also passing a special resolution at the Special Meeting, the Company will reduce its issued capital by 284,000,000 Class A Performance Shares or 32% of the issued capital of the Company on a fully diluted basis.

3.4 Reasons for the Proposed Selective Reduction of Capital

The Directors consider that the Proposed Selective Reduction of Capital will make the Company more attractive to future institutional investment and suit a potential future listing on a US securities exchange.

3.5 Financial effect of the Proposed Selective Reduction of Capital on the Company

The Proposed Selective Reduction of Capital will have no material effect on the Company's financial position as no consideration is being provided by the Performance Share Holders. The only costs to be incurred by the Company are those incurred in seeking these approvals.

3.6 Capital structure before and after Proposed Selective Reduction of Capital

The Company's existing capital structure is set out below:

Class	Securities
Fully paid ordinary shares	235,177,235
Ordinary shares subject to 24 month escrow	276,710,000
Class A Performance Shares	284,000,000
Performance Rights	51,250,000
Options exercisable at \$0.025 expiring on 18 December 2020	40,000,000

The Company's capital structure upon completion of the Proposed Selective Reduction of Capital and assuming the proposed issue to Director Mr Timothy Davies per Resolution 3 is approved is set out below:

Class	Securities
Fully paid ordinary shares	235,777,235
Ordinary shares subject to 24 month escrow	276,710,000
Performance Rights	51,250,000
Options exercisable at \$0.025 expiring on 18 December 2020	40,000,000

3.7 Impact on control

The Class A Performance Shares represent approximately 32% of the issued capital of the Company on a fully diluted basis. Other things being equal, the Proposed Selective Reduction of Capital would have the effect of decreasing the issued capital of the

Company by approximately 32% on a fully diluted basis. There will be no increase to Shareholders' voting power in the Company as the Class A Performance Shares do not presently have voting rights.

3.8 Advantages of the Proposed Selective Reduction of Capital

From the Company's perspective, the benefit that will accrue if the Proposed Selective Reduction of Capital is approved is that it will have the effect of reducing the issued capital of the Company by 32% on a fully diluted basis. Accordingly, the value of each of the Company's securities may increase. Shareholders may, therefore, benefit from an anticipated increase in the value of their shareholdings.

The Proposed Selective Reduction of Capital provides no advantages to the Performance Share Holders other than in their capacity as continuing Shareholders of the Company and it is not possible to determine whether those advantages will ultimately outweigh the costs to the Performance Share Holders associated with cancellation of the Class A Performance Shares.

3.9 Disadvantages of the Proposed Selective Reduction of Capital

For those Shareholders not participating in the Proposed Selective Reduction of Capital, there are no disadvantages to the proposal.

For the Performance Share Holders, the disadvantage of the Proposed Selective Reduction of Capital is that they will have a proportion of their holdings in the Company cancelled for nil consideration.

3.10 What if the Proposed Selective Reduction of Capital does not proceed?

If the Proposed Selective Reduction of Capital does not proceed, the issued capital of the Company and the holdings of Performance Share Holders will not change.

3.11 ASX waiver of Listing Rule 9.7

Listing Rule 9.7 provides that, during the escrow period, an entity must not do either of the following:

- (a) change an executed restriction agreement; or
- (b) ask for, or agree to:
 - (i) removal of the holding lock under Listing Rule 9.5 or Listing Rule 9.17; or
 - (ii) release of a certificate held on the certificated subregister by a bank or recognised trustee,

unless ASX has given written consent to the release of the certificate or removal of the holding lock under Listing Rule 9.5 or Listing Rule 9.17.

The underlying policy to Listing Rule 9.7 is to prevent the transfer of, or creation of other interests in, restricted securities during the period in which ASX has determined that those securities should be held in escrow.

ASX has granted the Company a waiver from Listing Rule 9.7 (**Waiver**) to the extent necessary to permit the Company to amend the Restriction Agreements between the Company and the Performance Share Holders such that the Company be permitted to cancel up to 284,000,000 Class A Performance Shares held by the Performance Share

Holders which were issued as part consideration for the Acquisition, on the following conditions:

- (a) the Class A Performance Shares are cancelled for nil consideration;
- (b) the Company announces the terms of the Waiver to the market;
- (c) Shareholders, including the Performance Share Holders, approve a cancellation by way of a selective reduction of capital in accordance with the Corporations Act; and
- (d) the Company conducts the cancellation by way of a selective reduction of capital in relation to the Class A Performance Shares in accordance with the Corporations Act.

3.12 Directors' recommendation

The Directors unanimously support the Proposed Selective Reduction of Capital and recommend that Shareholders vote in favour of Resolution 1.

4. Resolution 2 - Ratification of prior issues of Shares

4.1 General

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the 52,000,000 August 2016 Placement Shares, 633,413 Consultant Shares and 44,350,322 May 2017 Placement Shares.

The Board recommends that Shareholders vote in favour of each of the resolutions which form part of Resolution 2.

Each of the resolutions which form part of Resolution 2 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of each of the resolutions which form part of Resolution 2.

4.2 Listing Rules 7.1 and 7.1A

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting held on 2 November 2016.

4.3 Listing Rule 7.4

Listing Rule 7.4 provides an exception to Listing Rules 7.1 and 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rules 7.1 and 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 and 7.1A), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rules 7.1 and 7.1A, as applicable.

The effect of Resolution 2 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 and the additional 10% annual placement capacity set out in Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

4.4 Specific information required by Listing Rule 7.5

Pursuant to, and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Shares under Resolution 2:

- (a) a total of:
 - (i) 52,000,000 August 2016 Placement Shares were issued on 3 August 2016 within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval;
 - (ii) 633,413 Consultant Shares were issued on 3 August 2016 within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval; and
 - (iii) 44,350,322 May 2017 Placement Shares were issued on 12 May 2017 as follows:
 - (A) 2,800,000 May 2017 Placement Shares were issued within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval; and
 - (B) 41,550,322 May 2017 Placement Shares were issued within the 10% limit permitted under Listing Rule 7.1A, without the need for Shareholder approval;
- (b) the August 2016 Placement Shares and May 2017 Placement Shares were issued at \$0.125 per Share and the Consultant Shares were issued at \$0.126 per Share;
- (c) the Consultant Shares were issued to S3 Consortium Pty Ltd as consideration for public relations services rendered S3 Consortium and were, therefore, issued for nil cash consideration.;
- (d) the August 2016 Placement Shares, Consultant Shares and May 2017 Placement Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (e) the August 2016 Placement Shares were issued to sophisticated and professional investors, none of whom are related parties of the Company;
- (f) the Consultant Shares were issued to external consultants, none of whom are related parties of the Company;
- (g) the May 2017 Placement Shares were issued to sophisticated and professional investors, none of whom are related parties of the Company;
- (h) the proceeds from the issue of the August 2016 Placement Shares were used to accelerate commercial delivery of Version 1 MESMER Counter Drone Systems by December 2016 to meet growing demand from within the United States from both government and commercial sectors as well as initial international demand from government agencies introduced by our distribution partners in Australia, Europe and Latin America;

- (i) the proceeds from the issue of the May 2017 Placement Shares will be used to build-up the hardware components inventory for MESMER™ counter drone systems to meet growing sales demand;
- (j) no funds were raised from the issue of the Consultant Shares as they were issued for nil cash consideration; and
- (k) a voting exclusion statement is included in the Notice.

5. Resolution 3 - Participation in May 2017 Placement by Mr Timothy Davies

5.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 10.11 for Mr Timothy Davies (or his nominee) to participate in the May 2017 Placement.

Director Timothy Davies wishes to participate in the May 2017 Placement, subject to Shareholder approval being obtained.

Resolution 3 seeks Shareholder approval for the issue of up to 600,000 May 2017 Placement Shares (**Director Shares**) to Mr Timothy Davies (or his nominee) arising from the participation by Mr Timothy Davies in the May 2017 Placement (**Participation**).

Resolution 3 is an ordinary resolution.

The Chair intends to cast all available proxies in favour of Resolution 3.

5.2 Chapter 2E of the Corporations Act and Listing Rule 10.11

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Mr Timothy Davies is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Timothy Davies, given his material personal interest in this Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Director Shares will be issued to Mr Timothy Davies on the same terms as the May 2017 Placement Shares being issued to non-related party participants in the May 2017 Placement and as such the giving of the financial benefit is on arm's length terms.

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the Participation involves the issue of May 2017 Placement Shares to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors (other than Mr Timothy Davies, given his material personal interest in this Resolution) that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the Participation as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the Director Shares will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

5.3 Technical information required by Listing Rule 10.13

Pursuant to, and in accordance with Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Director Shares will be issued to Mr Timothy Davies (or his nominees);
- (b) the maximum number of Director Shares to be issued to Mr Timothy Davies (or his nominees) is up to 600,000 May 2017 Placement Shares;
- (c) the Director Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) the issue price will be \$0.125 per Director Share, being the same as all other May 2017 Placement Shares issued under the May 2017 Placement;
- (e) the Director Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the May 2017 Placement as set out in Section 4.4 of this Explanatory Statement.

Schedule 1 - Definitions

In this Notice, unless the context otherwise requires, the following terms bear the following meanings:

AEST means Australian Eastern Standard Time, being the time in Sydney, New South Wales.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

August 2016 Placement means the issue of 52,000,000 Shares to sophisticated and professional investors at an issue price of \$0.125 per Share to raise \$6,500,000.

August 2016 Placement Shares means the Shares issued under the August 2016 Placement.

Chairman means the chairman of the Meeting.

Class A Performance Shares has the meaning given in Section 3.1 of the Notice.

Company means Department 13 International Limited ACN 155 396 893.

Consultant Shares means the issue of 633,413 Shares to S3 Consortium Pty Ltd in consideration for public relations services rendered to the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

D13 means D13 LLC, a limited liability company incorporated in Virginia, United States of America.

Director means a director of the Company.

Director Shares has the meaning given in Section 5.1 of this Notice.

Explanatory Memorandum means this explanatory memorandum which accompanies and forms part of the Notice.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

General Meeting or **Meeting** means the meeting of Shareholders convened by the Notice or any meeting adjourned thereof.

Listing Rules means the listing rules of ASX.

May 2017 Placement means the placement to sophisticated and professional investors at an issue price of \$0.125 per Share to raise \$5,500,000.

May 2017 Placement Shares means the Shares issued under the May 2017 Placement.

Meeting has the meaning given in the introductory paragraph of this Notice.

Notice of Meeting or **Notice** means this Notice of General Meeting.

Option means an option to acquire a Share.

Performance Share Holders has the meaning given in Section 3.1 of this Notice.

Proposed Selective Reduction of Capital has the meaning given in Section 3.1 of the Notice.

Proxy Form means the proxy form accompanying the Notice.

Quotation means official quotation of Shares by ASX.

Resolution means a resolution set out in the Notice.

Restriction Agreements has the meaning given in Section 3.1 of the Notice.

Section means a section of the Notice.

Share means a fully paid ordinary share in the Company.

Shareholder means the holder of a Share.

Special Meeting means the meeting of Performance Share Holders to be held at around the same time as the Meeting in accordance with Section 256C(2) of the Corporations Act.

Substantial Holding has the meaning given in Section 9 of the Corporations Act

Substantial Shareholder means the holder of a Substantial Holding of Shares.

Waiver has the meaning given in Section 3.11 of the Notice.

Schedule 2 - Performance Share Holders

Performance Share Holder	Shares	Class A Performance Shares	Balance of Performance Shares post selective reduction
Mrs Georgia Susan Clark	14,625,000	26,500,000	Nil
Mrs Georgia Susan Clark	14,625,000	13,500,000	Nil
Roger Charles Davies	33,200,000	30,000,000	Nil
Bryan Halfpap	21,360,000	20,000,000	Nil
Jonathan Andrew Hunter*	41,600,000	40,000,000	Nil
Paul McCarthy	30,800,000	30,000,000	Nil
PRW Investments Pty Ltd	3,166,667	1,333,334	Nil
Quintero Pty Ltd	2,166,667	1,333,333	Nil
Bayard William John Rezos	10,000,000	13,500,000	Nil
Gavin John Rezos*	10,675,000	13,500,000	Nil
Joanne Ellen Rezos*	13,000,000	13,000,000	Nil
Robi Sen	40,000,000	40,000,000	Nil
Steven J Shattil	20,800,000	20,000,000	Nil
Ben Smith	20,360,000	20,000,000	Nil
Western Oval Pty Ltd	2,166,666	1,333,333	Nil
Totals	278,545,000	284,000,000	Nil

*Denotes related party of the Company

Schedule 3 - Terms and Conditions of Performance Shares

1. Terms and conditions of Class A Performance Shares

For the purpose of these terms and conditions:

ASX means ASX Limited ACN 008 624 691 or, as the context permits, the securities exchange operated by that entity.

Change of Control Event means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

Commercial Sales means sales by way of licensing, product or service which are cash generative.

Company means Department 13 International Limited ACN 155 396 893.

D13 means means Department 13 LLC, a limited liability company incorporated in Virginia, United States of America.

Drone Defense Products means systems, devices, radio software or protocol manipulation products or services involved in providing a defence to threats posed by unmanned aerial or marine vehicles.

Holder means a holder of a Performance Share.

Listing Rules means the Listing Rules of the ASX.

Share means a fully paid ordinary share in the Company.

Technologies means the technologies set out in section 2.1 of the Patent Report in Section 11 and any improvements, variations or successor inventions thereto.

2. Conversion and expiry of Performance Shares

- (a) **(Conversion on achievement of Milestone)** Upon one of the following milestones being achieved:

- (i) D13 receives more than \$1m in aggregate revenues from Commercial Sales of Drone Defense products;
- (ii) D13 receives more than \$1m in aggregate revenues from sales or licensing agreements for any of the Technologies with a National or State Government Agency or significant multinational corporation;
- (iii) D13 receives more than \$1m in aggregate revenues from sales or license agreements for any of the Technologies with a supplier to a National or State government agency;
- (iv) D13 receives more than \$1m in aggregate revenues from joint venture or distribution agreements with a large network or mobile company or a supplier to law enforcement, defense or military;
- (v) the cumulative value of grants provided to D13 equals or exceeds US\$3m; or
- (vi) the Company (or a spin off entity of the Company) lists on the NASDAQ, or NYSE Markets stock exchanges, and the 20 trading day VWAP of the Company's Shares as traded on ASX equalling or exceeding \$0.05;

(the Milestone), each Performance Share will convert into a Share on a one for one basis.

- (b) **(Expiry Date)** The Milestone must be achieved on or before 5.00pm (WST) on the date which is three years from the date of issue of the Performance Shares (Expiry Date).
- (c) **(No conversion)** To the extent that Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.
- (d) **(Conversion procedure)** The Company will issue a Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Performance Share.
- (e) **(Ranking of shares)** Each Share into which the Performance Share will convert will upon issue:
 - (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (ii) be issued credited as fully paid;
 - (iii) be duly authorised and issued by all necessary corporate action; and
 - (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emptive rights and any transfer restrictions.

3. Conversion on change of control

- (a) If there is a Change of Control Event in relation to the Company prior to the conversion of the Performance Shares, then:

- (i) the Milestone will be deemed to have been achieved; and
- (ii) each Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of all Performance Shares due to a Change in Control Event in relation to the Company is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of all Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

4. Rights attaching to Performance Shares

- (a) **(Share capital)** Each Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Performance Share confers on a Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Performance Share does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Performance Share does not entitle a Holder to any dividends.
- (e) **(Rights on winding up)** Each Performance Share entitles a Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Performance Share.
- (f) **(Not transferable)** A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX for official quotation of the Shares issued upon the conversion of each Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Performance Share does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

ASX has confirmed that the terms are appropriate and equitable for the purposes of Listing Rule 6.1.

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Vote by Proxy

D13:

Holder Number:



Option A – Please choose to vote online, because:

- ✓ **Save Your Money:** This company you own a part of has to spend thousands of dollars each year in print and postage costs. Online voting will reduce this unnecessary expense.
- ✓ **It's Quick and Secure:** Voting online provides you with greater privacy over your instructions, eliminates any postal delays and removes the risk of it being potentially lost in transit.
- ✓ **Receive Vote Confirmation:** Voting online is the only method which provides you with confirmation that your vote has been processed. It also allows you to amend your vote if required.



To Access online voting you can scan the barcode to the right with your tablet or mobile device or you can enter the following link into your browser.
Voting online is quick and easy to do.

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

STEP 1: Please appoint a Proxy

Option B – Appoint a proxy, by paper:

I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of the Company, to be held at **11.00 am (AEST) on Thursday, 13 July 2017 at RSM Bird Cameron Partners, Level 13, 60 Castlereagh Street, Sydney NSW 2000** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

STEP 2: Voting Direction

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Selective reduction of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2(c) Ratification of 2,800,000 May 2017 Placement Shares issued under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(a) Ratification of 52,000,000 August 2016 Placement Shares issued under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2(d) Ratification of 41,550,322 May 2017 Placement Shares issued under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b) Ratification of 633,413 Consultant Shares issued under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3 Participation in May 2017 Placement by Timothy Davies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017

Email Address

HOW TO COMPLETE THIS PROXY VOTING FORM

LODGING YOUR PROXY VOTE

This Proxy Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by 11.00am (AEST) on Tuesday, 11 July 2017, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting Forms received after that time will not be valid for the scheduled Meeting.

Proxy Voting Forms can be lodged:



ONLINE

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



Login to the Automic website using the holding details as shown on the Proxy Voting Form. Click on 'View 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 front of the Proxy Voting form.



BY MAIL

Automic Registry Services
PO Box 2226
Strawberry Hills NSW 2012



BY HAND

Automic Registry Services
Level 3, 50 Holt Street, Surry Hills NSW 2010



ALL ENQUIRIES TO

Telephone: 1300 288 664 Overseas: + 61 2 9698 5414

YOUR NAME AND ADDRESS

This is your name and address 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 on 1300 288 664 or you may copy this form.

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 Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

OTHER RESOLUTIONS

Should any resolution, other than those specified in this Proxy Voting Form, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.

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.