
DEPARTMENT 13 INTERNATIONAL LTD

ACN 155 396 893

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 3:00pm (Sydney time)
DATE: 28 November 2017
PLACE: RSM
Level 13
60 Castlereagh Street
Sydney, New South Wales

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

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

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 Shareholders at 7:00pm (Sydney time) on 26 November 2017.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2017 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2017."

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

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DR KATHLEEN KIERNAN

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

"That, for the purpose of clause 11.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Kathleen Kiernan, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – ELECTION OF DIRECTOR – TIM DAVIES

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

"That, for the purpose of clause 11.11 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Tim Davies, a Director who was appointed as an additional Director on 8 May 2017, retires, and being eligible, is elected as a Director."

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass 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 Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if 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, it is cast by the person chairing the meeting 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.

6. RESOLUTION 5 – ADOPTION OF D13 EXECUTIVE OPTION PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled D13 Executive Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if 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, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 6 – ISSUE OF OPTIONS TO RELATED PARTY – JONATHAN HUNTER

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

“That, subject to the passing of Resolution 5, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 4,515,000 Options to Mr Jonathan Hunter (or his nominee) under the D13 Executive Option Plan in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 6 Excluded Party, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 7 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTOR – KATHLEEN KIERNAN

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 750,000 Performance Rights to Dr Kathleen Kiernan under the D13 Performance Rights Plan in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 7 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 7 Excluded Party, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. RESOLUTION 8 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTOR – AL TELLER

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 750,000 Performance Rights to Mr Al Teller under the D13 Performance Rights Plan in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 8 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 8 Excluded Party, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 8 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

10. RESOLUTION 9 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTOR – PHIL GEORGE

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 750,000 Performance Rights to Mr Phil George under the D13 Performance Rights Plan in

accordance with the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 9 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 9 Excluded Party, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 9 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

11. RESOLUTION 10 – ISSUE OF PERFORMANCE INCENTIVE RIGHTS TO DIRECTOR – TIM DAVIES

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

"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 3,000,000 Performance Rights to Mr Tim Davies under the D13 Performance Rights Plan in accordance with the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 10 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 10 Excluded Party, it is cast by the person chairing the meeting 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 10 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and

- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 27 October 2017

By order of the Board


Kevin Kye
Company Secretary

Voting in person

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

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9489 4890.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2017 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.department13.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DR KATHLEEN KIERNAN

3.1 General

ASX Listing Rule 14.4 provides that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled not to be subject to re-election.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Dr Kathleen Kiernan, who has served as a director since 18 December 2015, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Dr Kiernan's career spans over 30 years in the law enforcement, defence and intelligence industries. A 29-year veteran of Federal Law Enforcement, Dr Kiernan served as the Assistant Director for the Office of Strategic Intelligence and Information for the Bureau of Alcohol, Tobacco Firearms, and Explosives (ATF).

She served as a Member of the Army Science Board, Member of the Air Force Strategic Studies Board, the ATF representative to the Counterterrorism Centre at the CIA; Council Vice President for ASIS International and graduate of the FBI's National Executive Institute. Dr Kiernan is an adjunct faculty member at The John Hopkins University and at the Naval Postgraduate School Centre for Homeland Defence and Security. Dr Kiernan is not a director of any other ASX listed company.

3.3 Independence

If re-elected the board does not consider Dr Kiernan will be an independent director.

3.4 Board recommendation

The Board supports the re-election of Dr Kiernan and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – TIM DAVIES

4.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Tim Davies, having been appointed by other Directors on 8 May 2017 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

4.2 Qualifications and other material directorships

Mr Davies is an experienced Investment Manager having spent more than 15 years working as an Associate Director with Goldman Sachs, and a Senior Portfolio Manager at Consolidated Press Holdings, Ellerston Capital and Caledonia Investments. Over this period, Mr Davies primary focus was investing in listed companies on the Chinese and Asian Equity markets. This included opening 2 investment offices in Shanghai and building local Chinese research teams in Shanghai for both Ellerston Capital and Caledonia Investments.

Over the past 5 years, Tim and Larisa Davies have built 2 social enterprises, dedicated to assisting vulnerable communities into employment.

Mr Davies holds two undergraduate degrees in Psychology and Physiology (with Honours). He is currently the Chair and CEO of the not-for-profit Bright Hospitality.

4.3 Independence

Mr Davies has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected the board considers Mr Davies will not be an independent director.

4.4 Board recommendation

The Board supports the re-election of Mr Davies and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of

\$52,373,723 (based on the number of Shares on issue and the closing price of Shares on the ASX on 9 October 2017).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has 1 class of quoted Equity Securities on issue, being the Shares (ASX Code: D13).

If Shareholders approve Resolution 4, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

5.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 4:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX 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 5 ASX trading days of the date in section (i) above, the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 9 October 2017.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.05 50% decrease in Issue Price	\$0.10 Issue Price	\$0.15 50% increase in Issue Price
512,487,235 (Current Variable A)	Shares issued - 10% voting dilution	51,248,723 Shares	51,248,723 Shares	51,248,723 Shares
	Funds raised	\$2,562,436	\$5,124,872	\$7,687,308
768,730,852 (50% increase in Variable A)	Shares issued - 10% voting dilution	76,873,085 Shares	76,873,085 Shares	76,873,085 Shares
	Funds raised	\$3,843,654	\$7,687,308	\$11,530,962
1,024,974,470 (100% increase in Variable A)	Shares issued - 10% voting dilution	102,497,447 Shares	102,497,447 Shares	102,497,447 Shares
	Funds raised	\$5,124,872	\$10,249,744	\$15,374,617

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 512,487,235 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 9 October 2017.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. 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%.
9. 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 Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital and funds required for the development and construction of its products in response to client orders; or
- (ii) as non-cash consideration for acquisitions of products or provision of services by unrelated contractors relevant to the Company's business, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;

- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting (**Previous Approval**).

The Company has issued 41,550,322 Shares pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, the Company issued 55,600,322 Shares and 3,275,000 Performance Rights which represents approximately 6.7% of the total diluted number of Equity Securities on issue in the Company on issue 12 months before the meeting, which was 845,486,913.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 1.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

5.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 4.

6. RESOLUTION 5 – APPROVAL OF D13 EXECUTIVE OPTION PLAN

Resolution 5 seeks Shareholders approval for the adoption of the employee incentive scheme titled D13 Executive Option Plan (**Plan or DEOP**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX 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. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to issue Options under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Options have previously been issued under the Plan. However, if this Resolution is passed, and subject to the passing of Resolution 6, Mr Jonathan Hunter will be issued 4,515,000 Options under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and executives and it is considered by the Company that the adoption of the Plan and the future issue of Options under the Plan will provide selected employees and executives with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolution 6 for the issue of Options to Jonathan Hunter pursuant to the Plan.

A summary of the key terms and conditions of the Plan is set out in Schedule 2. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary kkye@department13.com. Shareholders are invited to contact the Company if they have any queries or concerns.

7. RESOLUTION 6 – ISSUE OF OPTIONS TO DIRECTOR AND RELATED PARTY - JONATHAN HUNTER

7.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 4,515,000 Options (**Related Party Options**) to Mr Jonathan Hunter (**Related Party**) under the D13 Executive Option Plan (subject to the approval of Resolution 5) and otherwise on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 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 grant of the Related Party Options constitutes giving a financial benefit and Mr Hunter is a related party by virtue of being a Director.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Party.

7.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.14)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related party is the Company's Managing Director, Mr Jonathan Hunter and he is a related party by virtue of being a Director;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to Mr Hunter is 4,515,000 Related Party Options on the following terms:

Tranche	No. of Options	Vesting period	Exercise Price	Expiry Date	Valuation (per Option) ¹
1	1,350,000	3 years after issue	\$0.25	5 years after date of issue	\$0.0621
2	1,525,000	3 years after issue	\$0.40	5 years after date of issue	\$0.0546
3	1,640,000	3 years after issue	\$0.50	5 years after date of issue	\$0.0509

¹ The Options have been valued using the Black & Scholes valuation methodology by the Company's independent advisor using the following assumptions:

Assumed valuation date	5 October 2017
D13 Share Price	\$0.10
Exercise Price	As above
Number	As above

Risk free Rate	2.3%
Standard Deviation (Stock Volatility)	100%
Dividend Yield	0.0%
Contract Life	1,827 days

There are no specific performance conditions (other than the vesting period) applicable to this grant other than the exercise price premium for each Tranche:

- Tranche 1 – 150% premium to current price
- Tranche 2 – 300% premium to current price
- Tranche 3 – 400% premium to current price

That is, assuming constant capital, the Company must have a market capitalisation of at least \$58.9M for Mr Hunter to receive any benefit under Tranche 1, at least \$94.3M for Mr Hunter to receive any benefit under Tranche 2 and at least \$117.9M for Mr Hunter to receive any benefit under Tranche 3.

At these values the Board believes all Shareholders holding securities at the time of this AGM will have accrued substantial benefit thereby providing appropriate and clear alignment of interests between Mr Hunter and all other Shareholders.

- (c) the Related Party Options will be granted to the Mr Hunter no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration, accordingly no funds will be raised on the grant of Options but funds will be raised on exercise, if any;
- (e) the key terms and conditions of the Related Party Options are set out in (b) above and are otherwise on the terms set out in Schedule 3;
- (f) the value of the Related Party Options and the pricing methodology is set out above in (b);
- (g) no loan will be provided for the purpose of acquiring the Related Party Options;
- (h) the names of all persons eligible to participate in the Plan are set out in Schedule 2(a).
- (i) the Board has not issued any previous securities under the Plan as it is being adopted for the first time pursuant to Resolution 5;
- (j) the Shares awarded on vesting and exercise of Mr Hunter's Options, may be subject to restriction and any dealing in Shares is subject to the constraints of Australian insider trading laws and Company's share trading policy;

- (k) if, in the Board's opinion, Mr Hunter has acted fraudulently or dishonestly or is in breach of his material obligations to the Company, the Board may determine that any or all of his unexercised Options will lapse;
- (l) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options	Performance Rights
Jonathan Hunter	41,600,000	-	12,500,000

- (m) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Jonathan Hunter	A\$545,000	A\$221,997

- (n) if all the Related Party Options granted to the Related Parties are exercised, a total of 4,515,000 Shares would be issued. This will increase the number of Shares on issue from 523,737,235 to 528,252,235 (assuming that no other Options are exercised) with the effect that the shareholding of existing Shareholders would be diluted by 0.86%.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (o) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.18 cents	23 March 2017
Lowest	\$0.09 cents	23 December 2016 3 January 2017 13 September 2017 18 September 2017
Last	\$0.10 cents	11 October 2017

- (p) the primary purpose of the grant of the Related Party Options to the Mr Hunter is to provide a performance linked incentive component in the remuneration package for the Related Party to motivate and reward his performance;
- (q) Mr Hunter declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the

outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 6 be passed.

- (r) The other Directors, who do not have an interest in Resolution 6 recommends that Shareholders vote in favour of Resolution 6 for the following reasons:
 - (i) the grant of Related Party Options to Mr Hunter, in particular, the vesting conditions of the Related Party Options, will align the interests of the Mr Hunter with those of Shareholders;
 - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Hunter; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (s) in forming their recommendations, each Director considered the experience of Mr Hunter, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the tiered exercise prices and expiry date of those Related Party Options; and
- (t) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issued of Related Party Options to Mr Hunter because approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to the Related Parties (or their nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

8. RESOLUTIONS 7 TO 10 – ISSUE OF PERFORMANCE RIGHTS TO NON-EXECUTIVE DIRECTORS

8.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 5,250,000 Performance Rights under the Company's Performance Rights Plan (**Performance Rights**) to Al Teller, Kathleen Kiernan, Phil George and Tim Davies (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 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.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The grant of the Performance Rights constitutes giving a financial benefit and each of the Related Parties are related parties of the Company by virtue of being Directors. It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Performance Rights to the Related Parties.

8.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.14)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) the related parties are Al Teller, Kathleen Kiernan, Phil George and Tim Davies and they are related parties by virtue of being Directors;
- (b) the maximum number of Performance Rights (being the nature of the financial benefit being provided) to be granted to the Related Parties is 5,250,000 comprising:
 - (i) 750,000 Performance Rights to Al Teller;
 - (ii) 750,000 Performance Rights to Kathleen Kiernan;
 - (iii) 750,000 Performance Rights to Phil George; and
 - (iv) 3,000,000 Performance Rights to Tim Davies.
- (c) The Performance Rights will be issued in three equal tranches and will vest as follows:
 - (i) one third will vest and convert to Shares on the first anniversary of the Grant Date;
 - (ii) one third will vest and convert to Shares on the second anniversary of the Grant Date; and
 - (iii) one third will vest and convert to Shares on the third anniversary of the Grant Date,subject to that Related Party remaining a Director at the time of vesting;
- (d) Mr Davies is to receive additional Performance Rights on the basis that he will be providing additional services, including engaging Australian based shareholders, handling shareholder relations in Australia, assisting the Company Secretary and preparing and advising on roadshows on behalf of the Company and acting as a key adviser to the Company in relation to financial, governance, and compliance in Australia. The Company has agreed with Mr Davies that the Performance Rights may

be reduced (but not increased) where these additional services are not reasonably deemed to have been provided to the overall value of the Performance Rights as agreed between the Company and Mr Davies;

- (e) the Performance Rights will be issued in lieu of Director's fees for nil cash consideration, accordingly no funds will be raised;
- (f) The terms and value of the Performance Rights to each of Kiernan, Teller and George is as follows:

Tranche	No. of Rights	Exercise Price	Vesting Date	Expiry Date	Value ¹
1	250,000	\$0.00	Grant Date + One Year	Two years after Vesting	\$25,000
2	250,000	\$0.00	Grant Date + Two Years	Two years after Vesting	\$25,000
3	250,000	\$0.00	Grant Date + Three Years	Two years after Vesting	\$25,000

The terms and value of the Performance Rights to Tim Davies is as follows:

Tranche	No. of Rights	Exercise Price	First Vesting Date	Expiry Date	Value ¹
1	1,000,000	\$0.00	Grant Date + One Year	Two years after Vesting	\$100,000
2	1,000,000	\$0.00	Grant Date + Two Years	Two years after Vesting	\$100,000
3	1,000,000	\$0.00	Grant Date + Three Years	Two years after Vesting	\$100,000

¹ The Performance Rights have been valued using the Black and Scholes method by the Company's independent consultant on the basis of the following valuation assumptions:

Assumed valuation date	5 October 2017
D13 Share Price	\$0.10
Exercise Price	\$0.00
Number	As specified in (b) (i) above
Risk free Rate	2.3%
Standard Deviation (Stock Volatility)	100%
Dividend Yield	0.0%

Contract Life	1827 days
Value per Performance Right	\$0.10

- (g) the Performance Rights will be issued to the Related Parties no later than 12 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Performance Rights will be issued on one date;
- (h) the Performance Rights will be granted for nil cash consideration, accordingly no funds will be raised;
- (i) the Performance Rights will be issued pursuant to the Company's Performance Rights Plan approved at the shareholder meeting dated 30 November 2015;
- (j) the value of the Performance Rights and the pricing methodology is set out above;
- (k) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options	Performance Rights
Kathleen Kiernan	125,000	Nil	Nil
Al Teller	50,000	Nil	Nil
Phil George	50,000	Nil	Nil
Tim Davies	Nil	Nil	Nil

- (l) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year*	Previous Financial Year
Kathleen Kiernan	A\$75,000	A\$36,535
Al Teller	A\$75,000	A\$93,330
Phil George	A\$75,000	A\$24,000
Tim Davies	A\$125,000	A\$4,000

*On the basis the Performance Rights are issued, minimum amount of A\$50,000 per annum Directors' fees will be paid to the Related Parties for the current financial year. Tim Davies' remuneration includes additional A\$50,000 per annum for provision of additional services.

- (m) if the Performance Rights are granted to the Related Parties and they all vest, a total of 5,250,000 Shares would be issued. This will increase the number of Shares on issue from 523,737,235 to 528,987,235 (assuming that no other Options are exercised) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate

of 0.99%, comprising 0.14% by Ms Kiernan, Teller and George and 0.57% by Mr Davies.

If, at any time any of the Performance Rights vest and the Shares are trading on ASX at a price that is higher than the value of the Directors' fees payable to the Related Parties, there may be a perceived cost to the Company.

- (n) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in Section 7.2(o) above;
- (o) the Board acknowledges the grant of Performance Rights to the Related Parties may be contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Performance Rights to the Related Parties is appropriate for the reasons set out in paragraph (q);
- (p) the primary purpose of the grant of the Performance Rights to the Related Parties is to provide a non-cash remuneration structure for the Company's non-executive directors linked to their ongoing contribution to the Company during their appointment and linked to overall Shareholder value thereby aligning their interests with all Shareholders, and are intended to remunerate those non-executive directors for their services and work provided to the Company while conserving cash;
- (q) Kathleen Kiernan declines to make a recommendation to Shareholders in relation to Resolution 7 due to her material personal interest in the outcome of the Resolution on the basis that she is to be granted Performance Rights in the Company should Resolution 7 be passed. However, in respect of Resolutions 8, 9 and 10, she recommends that Shareholders vote in favour of those Resolutions for the following reasons:
 - (i) The Performance Rights will save the Company cash, by paying the relevant non-executive directors in equity upon the completion of each year of their appointment rather than cash payments by way of fees throughout the year; and
 - (ii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights upon the terms proposed;
- (r) Al Teller declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Performance Rights in the Company should Resolution 8 be passed. However, in respect of Resolutions 7, 9 and 10, he recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);
- (s) Phil George declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Performance Rights in the Company should Resolution 9 be passed. However, in respect of Resolutions 7, 8 and 10, he recommends that

Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (p);

- (t) Tim Davies declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Performance Rights in the Company should Resolution 10 be passed. However, in respect of Resolutions 7, 8 and 9, he recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (p);
- (u) Jonathan Hunter recommends that Shareholders vote in favour of Resolutions 7, 8, 9 and 10 for the reasons set out in paragraph (r)(ii);
- (v) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Performance Rights to be granted as well as the savings in fees that could be generated from rewarding service in this manner; and
- (w) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7 to 10;
- (x) no loan will be provided in relation to the Performance Rights, as no payment is required to receive those Performance Rights;
- (y) since the adoption of the Performance Rights Plan, 51,250,000 Performance Rights have been issued as follows:
 - (i) Al Teller – 3,000,000;
 - (ii) Gavin Rezos – 4,000,000;
 - (iii) Phil George – 1,250,000;
 - (iv) Kathleen Kiernan – 3,000,000; and
 - (v) Jonathan Hunter – 12,500,000.

Of those Performance Rights, none have lapsed.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Performance Rights to Related Parties because approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to the Related Parties (or their nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 5.1.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Department 13 International Ltd (ACN 155 396 893).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option is a right to acquire a Share for the exercise price specified, subject to the terms and conditions specified in accordance with the D13 Executive Option Plan (DEOP).

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Performance Right is a right to acquire a Share for a zero exercise price, subject to the terms and conditions specified in accordance with the D13 Performance Rights Plan.

Related Party Option means an Option granted pursuant to Resolution 6 with the terms and conditions set out in Schedule 3.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2017.

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

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 - ISSUES OF EQUITY SECURITIES SINCE 2 NOVEMBER 2016

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 12 May 2017 Appendix 3B – 12 May 2017	44,350,322	Shares ²	Sophisticated investors in the US and Australia	12.5 cents	Amount raised = \$5,543,790 Amount spent = \$271,869 Use of funds Working capital to buildup inventory of hardware components supporting the software for MESMER counter drone systems and meet customer demand Amount remaining = \$4,924,890 as at 30 June 2017 Proposed use of remaining funds = As per use of funds stated above
Issue – 3 August 2017 Appendix 3B – 3 August 2017	11,250,000	Shares ²	Holders of performance rights issued upon acquisition of Department 13 LLC upon achievement of milestones	Nil	Consideration: issued for nil consideration for achievement of milestones in accordance with the Company's Performance Rights Plan Value ⁵ = \$1,125,000
Issue – 3 August 2017 Appendix 3B – 3 August 2017	3,275,000	Performance Rights ³	Eligible participants under the Company's Performance Rights Plan	Nil	Consideration: nil Value ⁵ = \$376,625

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: D13 (terms are set out in the Constitution).
3. Unlisted Performance Rights granted under the Company's Performance Rights Plan the full terms and conditions were disclosed to, and approved by, shareholders at the shareholder meeting dated 30 November 2015.
4. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
5. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.10) on 5 October 2017. In respect of unquoted Equity Securities the value of Performance Rights is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Performance Rights, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Performance Rights. No account is taken of any performance conditions included in the terms of the Performance Rights other than market based performance conditions (i.e. conditions linked to the price of Shares).

SCHEDULE 2 – SUMMARY OF TERMS OF DEPARTMENT 13 EXECUTIVE OPTION PLAN

- (a) **Eligibility:** Participants in the Option Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each a **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 ASIC Class Order 14/1000 as amended or replaced (**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 a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Options under the Option Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an offer) to apply for up to a specified number of Options, upon the terms set out in the Option Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Options offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Issue price:** Unless the Options are quoted on the ASX, Options issued under the Option Plan will be issued for no more than nominal cash consideration.
- (e) **Vesting Conditions:** An Option may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Option.
- (f) **Vesting:** The Board may in its absolute discretion (except in respect of a Change of Control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Options have been granted under the Option Plan or their nominee where the Options have been granted to the nominee of the Eligible Participant), resolve to waive any of the Vesting Conditions applying to Options due to:
- (i) Special Circumstances arising in relation to a Relevant Person in respect of those Options; or
 - (ii) a Change of Control occurring; or

- (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (g) **Lapse of an Option:** An Option will lapse upon the earlier to occur of:
 - (i) an unauthorised dealing in the Option;
 - (ii) a Vesting Condition in relation to the Option is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to waive the Vesting Conditions and vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iii) in respect of unvested Option only, an Eligible Participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Options only, a relevant person ceases to be an Eligible Participant and the Option granted in respect of that person is not exercised within one (1) month (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - (v) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (vi) the Company undergoes a Change of Control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Option;
 - (vii) the expiry date of the Option.
- (h) **Not transferrable:** Options are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (i) **Shares:** Shares resulting from the exercise of the Options shall, subject to any Sale Restrictions (refer paragraph (k)) from the date of issue, rank on equal terms with all other Shares on issue.
- (j) **Quotation of Shares:** If Shares of the same class as those issued upon exercise of Options issued under the Option Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends.
- (k) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Options up to a maximum of seven (7) years from the grant date of the Options. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction period determined.

- (l) **No Participation Rights:** There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- (m) **Change in exercise price of number of underlying securities:** Unless specified in the offer of the Options and subject to compliance with the ASX Listing Rules, an Option does not confer the right to a change in exercise price or in the number of underlying Shares over which the Option can be exercised.
- (n) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Option are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (o) **Amendments:** Subject to express restrictions set out in the Option Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Option Plan, or the terms or conditions of any Option granted under the Option Plan including giving any amendment retrospective effect.
- (p) **Trust:** The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Options, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust. The trustee will hold the Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust. The Board may at any time amend all or any of the provisions of the Option Plan to effect the establishment of such a trust and the appointment of such a trustee.

Definitions: Capitalised terms used in the above summary are as defined in the Option Plan, including:

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

Change of Control means:

- (a) a bona fide Takeover Bid is declared unconditional and the bidder has acquired a Relevant Interest in more than 50% of the Company's issued Shares;
- (b) a court approves, under section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (c) in any other case, a person obtains Voting Power in the Company which the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

Relevant Person means:

- (a) in respect of an Eligible Participant, that person; and
- (b) in respect of a nominee of an Eligible Participant, that Eligible Participant.

Special Circumstances means:

- (a) a Relevant Person ceasing to be an Eligible Participant due to:
 - (i) death or Total or Permanent Disability of a Relevant Person; or
 - (ii) Retirement or Redundancy of a Relevant Person;
- (b) a Relevant Person suffering Severe Financial Hardship;
- (c) any other circumstance stated to constitute "Special Circumstances" in the terms of the relevant Offer made to and accepted by the Participant; or
- (d) any other circumstances determined by the Board at any time (whether before or after the Offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant.

SCHEDULE 3 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS

(a) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(c) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(d) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(e) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (e)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(f) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(g) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(h) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(i) Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(j) Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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

Holder Number:

Vote by Proxy: D13

Your proxy voting instruction must be received by **3.00pm (Sydney time) on Sunday, 26 November 2017**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

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

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

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



SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored Holding, you can update your address through the investor portal:

<https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual in the box provided. 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 in a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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

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

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

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

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

CORPORATE REPRESENTATIVES






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

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the 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.

POWER OF ATTORNEY

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

CONTACT	Return your completed form:  BY MAIL Automic Registry Services PO Box 2226 Strawberry Hills NSW 2012  IN PERSON Automic Registry Services Level 3, 50 Holt Street, Surry Hills NSW 2010	Contact us – All enquiries to Automic:  WEBCHAT https://automic.com.au/  EMAIL hello@automic.com.au  PHONE 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)
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STEP 1: Please appoint a Proxy	Complete and return this form as instructed only if you do not vote online I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of Department 13 International Ltd, to be held at 3.00pm (AEDT) on Tuesday, 28 November 2017 at RSM, Level 13, 60 Castlereagh Street, Sydney NSW 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.	
	<div style="border: 1px solid black; height: 25px; width: 100%;"></div>	

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.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS
 Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy) I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 and 5 to 10 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 5 to 10 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel which includes the Chair.

STEP 2: Your Voting Direction	Resolutions	For	Against	Abstain
	1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	2 Re-election of Director – Dr Kathleen Kiernan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3 Election of Director – Tim Davies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	5 Adoption of D13 Executive Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	6 Issue of Options to Related Party – Jonathan Hunter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7 Issue of Performance Rights to Director – Kathleen Kiernan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	8 Issue of Performance Rights to Director – Al Teller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	9 Issue of Performance Rights to Director – Phil George	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	10 Issue of Performance Incentive Rights to Director – Tim 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: Sign	SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED		
	Individual or Securityholder 1	Securityholder 2	Securityholder 3
	<div style="border: 1px solid black; height: 25px; width: 100%;"></div>	<div style="border: 1px solid black; height: 25px; width: 100%;"></div>	<div style="border: 1px solid black; height: 25px; width: 100%;"></div>
	Sole Director and Sole Company Secretary	Director	Director / Company Secretary
	Contact Name..... Contact Daytime Telephone..... Date ____ / ____ / ____ Email Address _____ By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).		