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**NOTICE OF ANNUAL GENERAL MEETING 2018**

**EXPLANATORY STATEMENT**

**AND PROXY FORM**

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**Date**

29 November 2018

**Time**

9:00am, Sydney time (Registration commences at 8:45am, Sydney time)

**Venue**

The offices of Henslow, Level 18, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000

**Your vote is important**

The business of the Annual General Meeting affects the Company and your vote is important.

**Voting in person**

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

**Voting by proxy**

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

## NOTICE OF ANNUAL GENERAL MEETING 2018

Notice is given that an Annual General Meeting (**Meeting**) of Shareholders of Department 13 International Ltd (the **Company**) will be held at the offices of Henslow, Level 18, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000 on 29 November 2018 at 9:00am (Sydney time).

Further details in respect of the Resolutions proposed in this Notice of Annual General Meeting (**Notice**) are set out in the Explanatory Statement accompanying this Notice. The Explanatory Statement and the Proxy Form should be read together with, and form part of, this Notice.

### AGENDA

#### Financial Statements and reports

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To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2018.

#### Resolution 1: Remuneration Report

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

*"That, the Company adopt the Remuneration Report for the year ended 30 June 2018 in accordance with Section 250R(2) of the Corporations Act."*

**Voting Exclusion:** In accordance with section 250R(4) of the Act, no member of the key management personnel of the Company or a closely related party of such a member may vote on Resolution 1.

However, in accordance with the Act, a person described above may vote on Resolution 1 if:

- It is cast by such person as proxy for a person who is permitted to vote, in accordance with the direction specified on the proxy form how to vote; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with an express direction specified on the proxy form to vote as the proxy decides.

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution 1, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of Resolution 1

#### Resolution 2: Special meeting to be held within 90 days "Spill Resolution"

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

*"That subject to at least 25% of the votes cast in respect of Resolution 1 being cast against the adoption of the Remuneration Report:*

- a) a meeting of the Company's shareholders ("spill meeting") be convened within 90 days of the date of this meeting;*
- b) each of the Company's directors\* who were directors of the AGM cease to hold office immediately before the end of the spill meeting; and*
- c) resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to a vote at the spill meeting."*

Note: This resolution will only be put to the meeting if the Company receives its “second strike” under the “two strikes” legislation on its Remuneration Report – that is, if at least 25% of the votes cast on Resolution 1 are against the adoption of the report.

\*other than the Managing Director. This assumes that Dr. Jakeman, Mr. Shattil and Mr. George are re-elected at this meeting pursuant to Resolutions 3 - 5.

### **Further Information**

Further details in respect of Resolution 2 are set out in the Explanatory Statement accompanying this Notice.

**Voting exclusion:** As required by the Corporations Act, the Company will disregard any votes cast on Resolution 2 by or on behalf of:

- (a) a member of the key management personnel named in the Remuneration Report (KMP); or,
- (b) a closely related party of a member of any KMP,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chairman pursuant to an express authorisation to exercise the proxy

### **Resolution 3: Election of Director – Dr Miles Jakeman**

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

*“That Dr Miles Jakeman, who retires in accordance with article 11.11 of the Company’s constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for election, be elected as a director of the Company.”*

### **Resolution 4: Election of Director – Mr Steven Shattil**

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

*“That Mr Steven Shattil, who retires in accordance with article 11.11 of the Company’s constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for election, be elected as a director of the Company.”*

### **Resolution 5: Re-election of Director – Mr Philip George**

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

*“That Mr Philip George, who retires in accordance with article 11.3 of the Company’s constitution and ASX Listing Rule 14.5 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

### **Resolution 6: Approval of 10% Placement Facility**

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

*“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up 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 on the terms and conditions in the Explanatory Statement.”*

**Voting exclusion:** The Company will disregard any votes cast in favour of the Resolution by a person, or any associate of that person, who may participate in the 10% Placement Facility and a person who might obtain a benefit, or any associate of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

- 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
- It is cast by the Chairman 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.

### **Resolution 7: Adoption of Department 13 International Ltd Equity Plan**

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

*“That, for the purposes of ASX Listing Rule 7.1 and 7.2 Exception 9(b) and sections 200B, 200E and 260C(4) of the Corporations Act, and for all other purposes, approval is given for the Company to adopt the Department 13 International Ltd Equity Plan (EP) and for the issue of Securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Prohibition Statement:** In accordance with the Corporations Act, a vote on Resolution 7 must not be cast by a person appointed as a proxy if:

- The proxy is either:
  - A member of the Key Management Personnel; and
  - A Closely Related Party of a member of the Key Management Personnel; and
- The appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- The proxy is the Chairman of the AGM; and
- The appointment expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 7 by a director of the Company (except one who is ineligible to participate in the EP) or any associated of such a Director.

However, the Company will not disregard a vote if:

- It is cast by the person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- It is cast by the Chairman as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **Explanatory Statement**

The accompanying Explanatory Statement provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy and Voting Instructions form part of this Notice.

### **By Order of the Board**



Laura Newell  
Company Secretary

26 October 2018

## PROXY AND VOTING INSTRUCTIONS

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### Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be lodged with the Company's share registry not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the Proxy Form proposes to vote.

The Proxy Form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A Proxy Form accompanies to this Notice.

If you sign the Proxy Form and do not appoint a proxy, you will have appointed the Chair of the Meeting as your proxy.

### Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

### Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7:00pm on 27 November 2018 (Sydney time) are, subject to any applicable voting prohibition, entitled to attend and vote at the Meeting.

On a poll, members have one vote for every fully paid ordinary share held (provided the member is not subject to a voting prohibition). Holders of options are not entitled to vote.

### How the Chair Will Vote Undirected Proxies

Subject to any applicable restrictions, the Chair of the meeting will vote undirected proxies in favour of the Resolution.

## EXPLANATORY STATEMENT

This Explanatory Statement accompanies and forms part of the Company's Notice of Annual General Meeting (**Notice**) the Annual General Meeting (**Meeting**) to be held at the offices of Henslow, Level 18, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000 on 29 November 2018 at 9:00am (Sydney time). The Notice incorporates, and should be read together with, this Explanatory Statement.

Terms used in this Explanatory Statement will, unless the context otherwise requires, have the same meaning as given to them in the Glossary as contained in this Explanatory Statement.

### **Resolution 1: Remuneration Report**

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Resolution 1 provides Shareholders the opportunity to vote on D13's remuneration report. The remuneration report is contained in the directors' report. Under Section 250R(2) of the Corporations Act, CVF must put the adoption of its remuneration report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or D13.

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2018.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### **Voting consequences**

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report resolution are voted against the adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (spill meeting) within 90 days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors Report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the Executive Directors of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the Company is approved will be the Directors of the Company.

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 relevant for this Annual General Meeting.

### **Proxy Restrictions**

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and

controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- (a) the chairperson or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- (b) the chairperson is appointed in writing (by a shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the shareholder provides express authorisation for the chairperson to do so.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

#### **Resolution 2: Special meeting to be held within 90 days (“Spill Resolution”)**

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This resolution will be put to the meeting only if the Company receives a “second strike” on its Remuneration Report as explained in the explanatory note for Resolution 1 above.

At the Company’s 2017 Annual General Meeting, more than 25% of the votes on the resolution to adopt the Remuneration Report were cast against the Remuneration Report. If at least 25% of the votes cast on Resolution 1 are against the Remuneration Report at the 2018 Annual General Meeting, the Corporations Act requires that Resolution 2 be put to the meeting and voted (“spill resolution”). However, if it is clear at this meeting that less than 25% of the votes cast on Resolution 1 are against adopting the Remuneration Report, there will be no second strike and Resolution 2 will not be put to the meeting.

If more than 50% of the members vote in favour of the spill resolution:

- (a) the Company must convene an extraordinary general meeting (“spill meeting”) within 90 days of the 2018 Annual General Meeting.
- (b) all the directors of the Company (other than the Managing Director) who were in office when the 2018 Directors Report was received will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting.

Following the spill meeting those persons whose election or re-election as directors is approved will be the directors of the Company.

Each relevant director is eligible, but not required, to seek re-election as a director of the Company at the spill meeting.

Members should note that, unlike Resolution 1 to approve the Remuneration Report, there are no voting exclusions applicable to resolutions appointing directors at the spill meeting.

#### **Directors’ Recommendation**

The Board recommend that Shareholders vote AGAINST Resolution 2. It is in the Board’s view that, in the circumstances, the holding of a spill meeting and removal of all directors (other than the Managing Director) would be significantly disruptive to the Company and would result in unnecessary expense.

### **Resolution 3: Election of Director – Dr Miles Jakeman**

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In accordance with the Company's Constitution and the ASX Listing Rule 14.4 an election of Directors must be held at each annual general meeting.

Article 11.11 of the Company Constitution states that a director appointed under this article holds office until the conclusion of the next Annual General Meeting of the Company but is eligible for election at that meeting.

In accordance with Article 11.11 of the Constitution and ASX Listing Rule 14.4, Dr. Jakeman is retiring and submitting himself for election as Director of the Company.

Dr Miles Jakeman is a proven Director and leader. With 30-years of industry experience and 17-years as a Director on multiple Boards, he holds considerable expertise in business strategy, leadership, high-performance team development and risk management. His knowledge is rooted in guiding technology and software companies through phases of rapid expansion, dealing with both Government and private sector clients.

Miles is currently Chairman of GetBusy (AIM:GETB), a provider of highly secure digital document distribution software. He is also Deputy Chairman of The Citadel Group (ASX:CGL) which specializes in tailored advisory, implementation and managed services across the information management, security and healthcare sectors, and was the Managing Director between 2007 and 2016.

Miles holds a Bachelor of Science (Hons), a Graduate Diploma in Asian Studies, a Doctorate of Philosophy (PhD) in Asian Studies and a second PhD in Business Leadership. He is also an active member of the Australian Institute of Company Directors (AICD).

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles), the Board considers Dr. Jakeman to be an independent Non-Executive Director.

#### **Directors' Recommendation**

The Board unanimously supports the election of Dr. Miles Jakeman and recommends that Shareholders vote in favour of this resolution.

### **Resolution 4: Election of Director – Mr Steven Shattil**

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In accordance with the Company's Constitution and the ASX Listing Rule 14.4 an election of Directors must be held at each annual general meeting.

Article 11.11 of the Company Constitution states that a director appointed under this article holds office until the conclusion of the next Annual General Meeting of the Company but is eligible for election at that meeting.

In accordance with Article 11.11 of the Constitution and ASX Listing Rule 14.4, Mr. Shattil is retiring and submitting himself for election as Director of the Company.

Steve is D13's Chief Scientist Officer and leads the Company's Patent Strategy. Steve holds graduate degrees in Physics and Electrical Engineering and is a practicing patent agent.

Steve has developed technologies that are essential to wireless and cellular standards, with his most important innovations centering around next-generation 5G wireless communications. Steve is the inventor of 50 US



based patents and dozens other international patents. He has played a critical role in shaping the D13 business to date.

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles), the Board considers Mr. Shattil to be an Executive Director.

#### **Directors' Recommendation**

The Board unanimously supports the election of Mr. Steven Shattil and recommends that Shareholders vote in favour of this resolution.

#### **Resolution 5: Re-election of Director – Mr Philip George**

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In accordance with the Company's Constitution and the ASX Listing Rule 14.5 an election of Directors must be held at each annual general meeting.

Article 11.3 of the Company Constitution states that one-third of the Directors must retire from office at each annual general meeting.

In accordance with Article 11.3 of the Constitution and ASX Listing Rule 14.5, Mr. Philip George is retiring by rotation and submitting himself for re-election as Director of the Company, having last been elected by shareholders on 2 November 2016.

Philip George has served as a Non-Executive Director of Department 13 International Limited since 18 December 2015. Phil has a strong background in cyber security and telecommunication companies and fulfilled leadership roles to include managing director and operations manager, general manager, technical director, and global IT manager.

Phil has also worked in the Finance, Oil & Gas, Startup & Mining and Petrochemical industries. Phil established and maintained wholesale and supplier relationships with Australian and international solutions providers to deliver premium end customer solutions.

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles), the Board considers Mr George to be an independent Non-Executive Director.

#### **Directors' Recommendation**

The Board unanimously supports the re-election of Mr. Philip George and recommends that Shareholders vote in favour of this resolution.

#### **Resolution 6: Approval of 10% Placement Facility**

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

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer below).

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

#### **Description of Listing Rule 7.1A**

- **Shareholder approval:**

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

- **Equity Securities:**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The classes of equity security of the Company at the date of the Notice are ordinary Shares, unlisted options, performance rights and convertible notes.

- **Formula for calculating 10% Placement Facility:**

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

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

A is

- the number of Shares on issue 12 months before the date of issue or agreement;
- plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid Shares that became fully paid in the 12 months;
- plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- less the number of fully paid Shares cancelled in the 12 months.

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

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

- **Listing Rule 7.1 and Listing Rule 7.1A:**

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

At the date of this Notice, the Company has on issue 542,865,269 Shares. At present, the Company has a capacity to issue a remaining:

- (a) 81,429,790 Equity Securities under Listing Rule 7.1;
- (b) 54,286,527 Equity Securities under Listing Rule 7.1A; and

Should all the resolutions in this Notice be approved, there will be 542,865,269 Shares on issue.

- **Minimum Issue Price:**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in the relevant class were recorded immediately before:

- (a) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

- **10% Placement Period:**

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

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (b) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (10% Placement Period).

**Listing Rule 7.1A**

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

**Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 Trading Days on which trades in the relevant 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 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
  - i. the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date Shareholders provide their approval at the Annual General Meeting; and
  - ii. the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

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

The table also shows:

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

Variable A in Listing Rule 7.1.A.2		Dilution		
		0.0225 50% decrease in Issue Price	0.045 Issue Price	0.09 100% increase in Issue Price
Current Variable A 542,865,269	10% Voting Dilution	54,286,527	54,286,527	54,286,527
	Funds Raised	\$1,221,447	\$2,442,894	\$4,885,787
50% increase in current Variable A 814,297,904	10% Voting Dilution	81,429,790	81,429,790	81,429,790
	Funds Raised	\$1,832,170	\$3,664,341	\$7,328,681
100% increase in current Variable A 1,085,730,538	10% Voting Dilution	108,573,054	108,573,054	108,573,054
	Funds Raised	\$2,442,894	\$4,885,787	\$9,771,575

The table has been prepared on the following assumptions:

- (a) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (b) All Resolutions under this Notice are carried.
  - (c) None of the 33,053,633 unlisted Options, 51,358,333 Performance Rights and 116,000,000 Convertible Notes that the Company currently has on issue are exercised into Shares before the date of the issue of the Equity Securities.
  - (d) 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%.
  - (e) 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 Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
  - (f) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% Placement capacity under Listing Rule 7.1.
  - (g) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
  - (h) The issue price is \$0.045, being the closing price of the Shares on ASX on 12 October 2018.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

- (d)** The Company may seek to issue the Equity Securities for the following purposes:
- i. non-cash consideration for the acquisition of the new business assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - ii. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new business assets or investments (including expenses associated with such acquisition) and/or general working capital.

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)** The Company's allocation policy will depend on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- i. the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing Shareholders can participate;
- ii. the effect the issue of the Equity Securities might have on the control of the Company;
  - i. the financial situation and solvency of the Company; and
  - ii. advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

If the Company were to acquire an asset or investment in exchange for Shares, it is likely that the allottee under the 10% Placement Facility would be the vendor of the asset or investment.

- (f)** This is the third occasion on which Shareholder approval has been sought under Listing Rule 7.1A., having received Shareholder approval at the 2016 and 2017 AGMs.

The total number of equity securities issued in the 12 months preceding the date of the meeting is 156,893,034 representing 25.8% of the equity securities on issue at the commencement of that 12 month period.

Summary of equity security movements since 28 November 2017

	Ordinary shares	Unlisted options	Convertible Notes	Performance Rights
On issue on 28 November 2018	523,737,235	40,000,000	0	43,275,000
Issued in the past 12 months	19,128,034	4,515,000	120,000,000	13,250,000
Cancelled or redeemed in past 12 months	-	11,461,367	4,000,000	5,166,667
On issue as at 12 October 2018	542,865,269	33,053,633	116,000,000	51,358,333

The following issues of equity securities by D13 have been made during the 12 months preceding the date of the meeting:

## Ordinary Shares

Date	Number of Shares Issued	Allottee/s	Issue Price	Discount to share price at date of issue	Amount	Use of Funds
28 December 2017	2,000,000	Share issue to Mr Stylianos Kaminaris as an employee benefit	nil	0%	nil non-cash transaction	
9 February 2018	3,374,732	<ul style="list-style-type: none"> <li>- Mr George Karantzas &amp; Ms Helen Karantzas &lt;Karantzas Super Fund A/C&gt;</li> <li>- Leonite Capital LLC</li> <li>- Gula Tech Adventures Inc</li> </ul>	\$0.025	28%	\$84,368.30 Amount spent: \$84,368.30	Conversion of options to shares
9 July 2018	2,208,334	Western Oval Pty Ltd	\$0.025	29%	\$55,208.35 Amount spent: \$55,208.35	Conversion of options to shares
8 August 2018	5,878,301	<ul style="list-style-type: none"> <li>- Quintero Group Limited</li> <li>- Gleneagle Asset Management Limited &lt;Alium Alpha Fund A/C&gt;</li> </ul>	\$0.025	32%	\$146,957.53 Amount spent: \$146,957.53	Conversion of options to shares
21 September 2018	4,000,000	<ul style="list-style-type: none"> <li>- Mr Christopher John Tait &amp; Mrs Fiona Nadine Tair &lt;Tait Super Fund A/C&gt;</li> <li>- Henslow Markets Pty Ltd</li> <li>- Guerilla Nominees Pty Limited &lt;Tooth Retirement Plan A/C&gt;</li> </ul>	\$0.100	N/A	nil non-cash transaction	Conversion of convertible notes to shares
4 October 2018	1,666,667	Shares issued to Mr Ben Smith on the exercise of Performance Rights	\$0.00	N/A	Nil Non-cash transaction	
<b>Total</b>	<b>19,128,034</b>					

### Unlisted Options

Date	Number of Options Issued	Allottee/s	Issue Price	Discount to share price at date of issue	Funds Raised	Use of Funds
28 December 2017	4,515,000	Jonathan Hunter	\$0.00	Expiry dates: 28 December 2022 Exercise price: - 1,350,000 at \$0.25 - 1,525,000 at \$0.40 - 1,640,000 at \$0.50	Nil	Issue of Options to a Jonathan Hunter
<b>Total</b>	<b>4,515,000</b>					

### Convertible Notes

Date	Number of Convertible Notes Issued	Allottee/s	Issue Price	Terms of the Security	Amount	Use of Funds
21 March 18	70,000,000	Professional and Sophisticated Shareholders	\$0.100	Interest: 12% per annum.  Conversion price: \$0.10  Maturity date: 21 March 2020	\$7,000,000  Amount spent: \$7,000,000	Acquisition of CI Portfolio & Working capital requirements
20 August 18	50,000,000	Professional and Sophisticated Shareholders	\$0.100	Interest: 12% per annum.  Conversion price: \$0.10  Maturity date: 21 March 2020	\$5,000,000  Amount spent: \$2,586,441	Working capital requirements
<b>Total</b>	<b>120,000,000</b>					

## Performance Rights

Date	Number of Convertible Notes Issued	Allottee/s	Issue Price	Terms of Security	Funds Raised	Use of Funds
28 December 2017	5,250,000	Issue to Directors: <ul style="list-style-type: none"> <li>- Kathleen Kiernan</li> <li>- Al Teller</li> <li>- Phil George</li> <li>- Tim Davies</li> </ul>	\$0.00	Vesting and conversion dates: <ul style="list-style-type: none"> <li>- 1/3 on 28 December 2018</li> <li>- 1/3 on 28 December 2019</li> <li>- 1/3 on 28 December 2020</li> </ul> <p>Expiry Date: 2 years after vesting</p> <p>Exercise price: \$0.00</p>	Nil	Rights issued under the Company's Performance Rights plan
28 December 2017	8,000,000	Issue to Stylianos Kaminaris	\$0.00	Expiry date: 28/12/2024  Vesting date: <ul style="list-style-type: none"> <li>- 1/2 on 22/09/2019</li> <li>- 1/2 on 22/09/2020</li> </ul> <p>Exercise price: \$0.00</p>	Nil	Rights issued under the Company's Performance Rights plan
<b>Total</b>	<b>13,250,000</b>					

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

### Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.



## **Resolution 7: Adoption of Department 13 International Ltd Equity Plan**

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### **Background**

Department 13 International's remuneration framework provides for a mix of fixed remuneration and 'at risk' variable remuneration (such as short-term and long-term incentives). This includes equity-based incentives aimed at aligning the interests of executives and other employees with shareholders by matching rewards with the long-term performance of the Company and the retention of executives and selected senior managers and employees.

Non-Executive Directors will be eligible to participate in the Plan if the Board so determines.

Shareholders have previously approved the Department 13 International Performance Rights Plan and the D13 Executive Option Plan for specific grants of equity to particular executives. The Department 13 International Ltd Equity Plan has been drafted to provide the flexibility to grant most types of equity-based compensation to employees in the different jurisdictions in which the Company operates and satisfy the regulatory and taxation requirements of those countries.

Department 13 is a cutting-edge developer of counter-drone technology and communication systems with global operations requiring highly skilled executives and senior managers to commercialise and grow the business. As a leading technology company, Department 13 needs to recruit talent from the global pool and have remuneration structures that are sufficiently flexible to attract and retain those key people and are capable of satisfying the regulatory and taxation requirements in the different countries in which the Company has operations.

Shareholders are being asked to approve this omnibus equity plan that will enable future grants of equity-based compensation to be made under this single plan. Shareholder approval will continue to be sought for equity grants to directors but will not need to be sought for other equity plans.

### **Key Features of the Equity Plan**

The key features of the Equity Plan are summarised in Schedule 1 to this Explanatory Statement. Under the Plan, Conditional Rights may be offered to eligible executives and other employees at the discretion of the Board.

Conditional Rights are rights to a pre-agreed number of shares or their cash equivalent value, subject to performance, service, time or other conditions that the Board believes best align with the Company's remuneration strategies. Conditional Rights include rights to acquire Shares in the form of options, share appreciation rights, performance rights and restricted stock units among others.

The grant of Conditional Rights to a participant is subject to both the Plan and the terms and conditions of the specific grant as set out in an individual participants' offer document.

The Company will offer Conditional Rights that are subject to, among other conditions, the satisfaction of specified performance hurdles. The performance hurdles may include achievement of pre-defined share price growth hurdles or other financial or non-financial metrics. The Board will, at the time of offer, specify the performance hurdle(s), service conditions, milestones and any other conditions.

The Equity Plan provides broad flexibility to structure offers that include:

- a mix of Conditional Rights with different objectives
- different performance periods applicable to different Conditional Rights
- varied performance conditions (for example a mix of milestones, share growth hurdles, TSR hurdles and continuity of service conditions). Performance conditions may also include Board discretion to

reduce vesting if a minimum gateway is not achieved (such as a requirement that the Company's total shareholder return is positive)

- the ability to settle vested Share entitlements through either the issue of shares or acquisition on-market of Shares or a cash payment (net of tax) of equivalent value or a combination of both. The ability to settle entitlements in cash (net of tax) allows the Company to deliver rewards to participants in countries outside of Australia that have tax and other regulations not conducive to settlement of awards in shares. Cash settlement also enables the Board to manage dilution and ensures

participants who have extensive shareholdings in the Company do not become excessively risk adverse

- an exercise mechanism that provides for immediate settlement in jurisdictions like the US and also allows the participant in jurisdictions like Australia a period in which to exercise vested Conditional Rights and thus control the point of delivery of underlying shares
- placing minimum shareholding requirements on participants that may be expressed as a percentage of their remuneration or a fixed number of Shares and placing trading restrictions on the vested Shares; and
- forfeiture provisions in specified circumstances (such as fraud or wrongdoing).

#### **Share Limit and Dilution**

The Board has discretion to determine the number of Conditional Rights granted to a participant.

Shareholders should note that the Plan is designed to comply with ASIC Class Order 14/1000 which limits the number of new Shares that may be offered or issued under incentive plans that rely upon the class order (or related relief) in any 3-year period to 5% of the total number of Shares on issue at the time of offer.

Under the Plan, the Board may settle vested Conditional Rights through either the issue of shares, acquisition on-market of Shares or cash settlement. The latter two alternatives will not result in dilution of shareholders' equity.

The Company may operate an Employee Share Trust as part of the plan. The Employee Share Trust's sole purpose will be to subscribe, acquire, deliver, allocate and/or hold Shares for the benefit of participants in the Company's employee equity incentive schemes in force from time to time.

#### **Requirement for Shareholder Approval**

ASX Listing Rule 7.2 (Exception 9(b))

ASX Listing Rule 7.1 imposes a limit on the number of equity securities (including ordinary shares) that a company can issue or agree to issue without shareholder approval. Generally, a company may not, without shareholder approval, issue in any 12-month period, equity securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

ASX Listing Rule 7.2 sets out the exceptions to ASX Listing Rule 7.1. Exception 9(b) of ASX Listing Rule 7.2 provides that an issue of securities under an employee incentive scheme (such as the Plan) is exempt from the operation of ASX Listing Rule 7.1 for a period of three years from the date that shareholder approval is obtained.

If shareholders approve Resolution 7, the grant of Conditional Rights (and the issue of any new Shares pursuant to these Conditional Rights) under the Plan will not be included in the 15% limit imposed by ASX Listing Rule 7.1 for a period of three years from the date of the Annual General Meeting. Notwithstanding any

Approval by shareholders of Resolution 7, any future equity raisings will remain subject to the 15% limit set out in ASX Listing Rule 7.1.

If shareholders do not approve Resolution 7, the Company may still issue Conditional Rights under the Plan, but any such Rights will be taken into account when calculating whether the 15% limit under ASX Listing Rule 7.1 has been reached.

The following information is provided to shareholders in accordance with ASX Listing Rule 7.2, Exception 9(b):

- a summary of the terms and conditions of the Plan is set out in Schedule 1 to this Explanatory Statement;
- this scheme is a new securities plan and is separate from the plan that was previously approved by shareholders at the 2015 annual general meeting. No securities have been issued under the plan that is being put to shareholders at this meeting; and
- a voting exclusion statement for Resolution 7 is included in this Notice of Meeting.

#### *Section 260C(4) of the Corporations Act*

If the Company elects to transfer (or procure the acquisition and transfer) of Shares to a participant to meet his or her entitlements under the Plan (rather than issue new Shares), the Company may be considered to be providing financial assistance to the participant or any Plan Trustee that it appoints to acquire Shares.

Section 260A of the Corporations Act prohibits the Company from financially assisting the acquisition of Shares in itself except in certain limited circumstances or if an exemption from this prohibition applies.

There is an exemption from the prohibition against financial assistance in section 260C(4) of the Corporations Act for financial assistance provided under an employee share scheme approved by shareholders in general meeting.

Accordingly, the Company is seeking approval of the Plan for the purposes of section 260C(4) of the Corporations Act. If approved, the exemption will only apply where Shares are acquired by or for the benefit of employees or directors who hold a salaried employment or office in the Company or a related body corporate of the Company. The exemption will not apply to the extent that funds are used to acquire Shares, by or for the benefit of any other person.

A complete copy of the rules of the Plan is available for inspection by shareholders (free of charge) at the Company's registered office or, upon request, from the Company Secretary.

#### *Sections 200B and 200E of the Corporations Act*

The Corporations Act provides that the Company may only give a person a termination benefit in connection with their ceasing to hold a "managerial or executive office" in the Company or its related bodies corporate if that termination benefit is approved by shareholders or an exemption applies. This restriction will apply to all Key Management Personnel and includes any person who held a "managerial or executive office" in the three years before they ceased to be a director of, or ceased employment with, the Company or a related body corporate ("Relevant Retiree").

The term "benefit" is open to a wide operation and may include the early vesting or acceleration of Conditional Rights under the Plan or the exercise of Board discretion to override a prescribed forfeiture condition. The summary of the terms of the Plan in Schedule 1 to this Explanatory Statement explains that the

Board has broad discretion including the discretion to determine some or all of the Conditional Rights held by participants may become entitled to early or accelerated vesting in certain circumstances.

Shareholder approval is sought to approve any benefit under the rules of the Plan that may be payable to all current and future persons holding a “managerial or executive office” in the Company or a related body corporate of the Company in connection with the relevant person ceasing to hold an office, or position of employment in the Company or related body corporate (“Retirement”), including the override of a forfeiture condition, the grant of Conditional Rights or the issue (or transfer) of Shares or cash payments of the equivalent value (or a combination of both) to the extent that the benefits are deliverable on Retirement. The amount and value of the benefits for which shareholder approval is sought is the maximum potential benefit that could be provided to a Relevant Retiree on Retirement.

If Resolution 7 is not approved, participants who are Key Management Personnel may not be able to receive benefits that are available to all other participants unless shareholder approval is obtained. Further, equity-linked benefits such as the Conditional Rights align executives and other employees with shareholders and the Directors believe granting approval is better for Shareholders than, for example, increasing cash awards in future in lieu of share-based remuneration.

The value of any benefits to be granted on cessation of a participant’s employment cannot be ascertained at the present time. Apart from the future share price being unknown, the following are the key matters, events or circumstances that will or are likely to affect the value of the benefits:

- the performance criteria determined to apply to the participant’s Conditional Rights
- the participant’s length of service and reasons for cessation of employment
- the number of Conditional Rights granted to the participant
- employee and Company performance factors used to determine vesting of Conditional Rights
- the amount of other remuneration payable to the participant; and
- the exercise of the Directors’ discretion at the relevant time.

#### **Board Recommendation**

The Directors unanimously recommend that shareholders vote in favour of Resolution 7. In their view, the Plan is an effective way of incentivising employees who are participants and more closely aligning their interests with those of shareholders.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 7.

## GLOSSARY

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**\$ or A\$** means Australian dollars.

**Annual General Meeting or Meeting** means the meeting convened by this Notice to be held at 9:00am, Sydney time on 29 November 2018 at the offices Henslow, Level 18, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange, or ASX Limited ACN 008 624 691.

**ASX Listing Rules** means the Official Listing Rules of ASX.

**ASX Principles** means the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition)

**Board** means the current board of directors of the Company.

**Closely Related Party** has the same meaning given by section 9 of the Corporations Act 2001 (Cth).

**Company, Department 13 or D13** means Department 13 International Limited ACN 155 396 893.

**Constitution** means the Company's constitution

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

**Deed** has the definition provided in the Explanatory Statement for Resolution 2.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Equity Plan, Plan or EP** means the Department 13 International Ltd Equity Plan for which shareholder approval is being sought under this notice of meeting.

**Key Management Personnel** has the same meaning given by section 9 of the Corporations Act 2001 (Cth). The Key Management Personnel of the Company are the Directors.

**Notice** means this Notice of General Meeting including the Explanatory Statement and the Proxy Form.

**Proxy Form** means the proxy form accompanying the Notice.

**Relevant Interest** has the meaning described in the Corporations Act.

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

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

**Shareholder** means a holder of a Share.

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**SCHEDULE 1 – SUMMARY OF DEPARTMENT 13 INTERNATIONAL LTD EQUITY PLAN**

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The key terms of the Department 13 International Limited Equity Plan (**Equity Plan**) are as follows:

<p>Who is an Eligible Person entitled to participate in the Equity Plan?</p>	<p>Any executive of the Company or other employee determined by the Board as eligible to participate in the Equity Plan (“Eligible Person”).</p> <p>Non-executive Directors will be eligible to participate in the Equity Plan if the Board so determines.</p>
<p>What securities can be offered?</p>	<p>The Equity Plan provides for the offer of Conditional Rights.</p> <p>Conditional Rights are rights to acquire Shares or to be paid their cash equivalent value (based on a pre-agreed formula) subject to performance, service, time or other conditions that the Board believes best align with the Company’s remuneration strategies.</p> <p>Examples of these types of rights include share appreciation rights, deferred share rights, performance rights, restricted stock units and options.</p> <p>Conditional Rights will not be quoted on the ASX or any other financial market.</p> <p>Provided that other Shares are listed on the ASX at the time, Shares acquired on vesting of Conditional Rights will be quoted on the ASX or if Shares provided by Department 13 International on vesting of the Conditional Rights are by way of a new issue of Shares, Department 13 International will apply to have the Shares quoted on the ASX within the period required by ASX.</p>
<p>Invitations to participate in the Equity Plan</p>	<p>Each Eligible Person offered the opportunity to participate in the Equity Plan will receive a written invitation to apply for a grant of Conditional Rights, in such form as may be determined from time to time by the Board (“Offer”).</p> <p>An Offer will set out among other things, the number of Conditional Rights that the Eligible Person may apply for, any applicable vesting and performance conditions, the period of time during which these conditions must be satisfied, and the Conditional Rights exercised and any amount that will be payable upon exercise of a Conditional Right (if applicable).</p>

	<p>Unless the Board determines otherwise, no offer to apply for a grant of Conditional Rights may be made if the offer or grant does not comply with ASIC Class Order 14/1000, any subsequent or replacement class order or relief in respect of employee incentive schemes or any specific relief granted by the ASIC to the Company in respect of the Plan.</p>
<p>Performance Hurdles</p>	<p>Conditional Rights granted to each Eligible Person will be subject to the performance hurdles determined by the Board at the time of Offer.</p> <p>These may include financial performance hurdles (such as earnings growth-based hurdles), service requirements, time elapsed since the grant or the satisfaction of any other vesting and exercise conditions determined by the Board.</p> <p>The Board's decision as to the satisfaction, achievement or waiver of performance hurdles may be made in the Board's absolute discretion and a determination as to the interpretation, effect, application, achievement, satisfaction or waiver of a performance hurdle is final, conclusive and binding on the relevant Eligible Person. The Board will only exercise its discretion to waive (in whole or in part) any performance hurdle in special circumstances.</p>
<p>Lapse of Conditional Rights</p>	<p>Conditional Rights lapse if the performance hurdles are not met at the end of the relevant Period.</p> <p>Subject to the Board's overriding discretion, Conditional Rights will lapse where:</p> <ul style="list-style-type: none"> <li>• they have expired without exercise;</li> <li>• the holder is in breach of the terms of the Equity Plan (such as a prohibited transfer or hedging) or certain events occur (such as cessation of employment or change of control).</li> </ul>
<p>Forfeiture conditions</p>	<p>The Equity Plan provides that if, in the opinion of the Board, an Eligible Person acts fraudulently, dishonestly, is in breach of his or her obligations to Department 13 International or is knowingly involved in a material misstatement of financial statements, then the Board may take action such as altering performance hurdles, deem Conditional Rights to have lapsed or forfeit Shares, cash paid or proceeds from the sale of Shares the subject of Conditional Rights.</p>

<p>Exercise</p>	<p>Conditional Rights will have an exercise process whereby following those rights vesting, the Eligible Person may elect to exercise those rights (with such period being consistent with ASX regulations). In those jurisdictions that require settlement at the time of vesting (such as the US), the Offer will provide for automatic exercise at the time.</p> <p>On exercise, the Board may, having regard to any election of the Eligible Person, either issue or procure the transfer of Shares to the Eligible Person or pay a cash amount (net of tax) equivalent to the market price of the Shares at the exercise date less any applicable exercise price.</p>
<p>Right to Dividends</p>	<p>The Board may prescribe as part of the terms of the Conditional Right that the entitlement on vesting be calculated by reference to a formula (such as in the case of Share Appreciation Rights), and provide a value for dividends that would have otherwise been received had Shares been held during the vesting period or pay a mixture of Shares and cash to the Eligible Person (including cash to enable the holder to pay any tax payable on exercise).</p>
<p>Leaving employment</p>	<p>Unless the terms of an Offer provide otherwise, where a Participant ceases to be an employee of Department 13 International:</p> <ul style="list-style-type: none"> <li>• for any reason other than death or total and permanent disability, the employee's vested and unvested Conditional Rights immediately lapse, unless the Board in its absolute discretion determines otherwise;</li> <li>• due to his or her death or total and permanent disability, subject to the Board determining otherwise, a pro rata number of unvested Conditional Rights will lapse based on the proportion of time remaining in the relevant performance period, while the remaining Conditional Rights may still vest subject to satisfaction of the performance hurdles at the end of the performance period; or</li> <li>• due to resignation, dismissal for cause or circumstances that, in the Board's opinion, involve a failure to meet acceptable performance requirements, the Board may, at its discretion, determine that a Participant will forfeit Shares allocated on the exercise of Conditional Rights that remain subject to disposal restrictions.</li> </ul>



<p>Change of control</p>	<p>The Board may, in its absolute discretion, determine that all or a portion of the Conditional Rights vest if:</p> <ul style="list-style-type: none"> <li>• a change of control occurs in certain circumstances including by way of a takeover bid, compromise or arrangement, amalgamation with another company or selective capital reduction; or</li> <li>• the Company passes a resolution for voluntary winding up or to dispose of its main undertaking, or an order is made for the compulsory winding up of the Company.</li> </ul>
<p>Dilution and Plan Limit</p>	<p>The Board retains the discretion to decide whether to purchase Shares on-market or issue new Shares on exercise of Conditional Rights.</p> <p>Unless the Board determines otherwise, no Conditional Right will be offered if to do so would contravene the requirements of ASIC Class Order CO 14/1000. This broadly requires that that the number of Shares that may be issued pursuant to an offer or that have or may be issued pursuant to offers made under the Equity Plan or any other incentive plans of Department 13 International over the previous 3 years is less than 5% of the total Shares on issue in Department 13 International.</p>
<p>Participate in reorganisations, bonus issues of Shares etc</p>	<p>A Participant's entitlement to Shares or their cash equivalent value will be adjusted to take account of any bonus issues, rights issues or reorganisation of issued capital in accordance with any requirements of the ASX Listing Rules, the Corporations Act or any other applicable law and otherwise in the manner determined by the Board in order to minimise any material advantage or disadvantage to the Participant.</p> <p>A Participant cannot participate in new issues of Shares in respect of Conditional Rights held by the Participant unless those Conditional Rights have been exercised and the underlying Shares issued or transferred before the relevant record date for determining entitlements to the new issue.</p>
<p>Hedging</p>	<p>A Participant must not enter into any scheme, arrangement or agreement (including options and derivative products)</p>

	under which the Participant may alter the economic benefit to be derived from an unvested Conditional Right.
Transfer, sale or disposal of Conditional Rights	Conditional Rights may not be transferred, sold or disposed of except by force of law (for example, in the event of death or legal incapacity).
Trustee, withdrawal process and rights when Shares held by Trustee on behalf of Participant	<p>Department 13 International may establish an employee share trust for the sole purposes of subscribing for or acquiring, delivering, allocating and holding Shares for the benefit of Participants and participants in other employee equity incentive schemes from time to time.</p> <p>Subject to the Listing Rules, applicable laws and Department 13 International policy (if relevant) Department 13 International must instruct the Trustee to subscribe for, acquire and/or allocate the relevant number of Shares that will enable it to meet its obligations in respect of Conditional Rights that vest. The Trustee will hold those Shares on behalf of Participants in accordance with the Trust Deed.</p> <p>The Board may instruct the Trustee to either subscribe for new Shares or acquire Shares on market to be held on a Participant's behalf, or to use a combination of both alternatives.</p> <p>Shares held by the Trustee in the Trust for the benefit of a Participant in accordance with the Equity Plan, will remain held in the Trust until the Shares are distributed, withdrawn or otherwise disposed of in accordance with the terms of the Trust Deed.</p>
Variations to the Equity Plan	The Board may cease, suspend or amend the terms of the Equity Plan at any time. Any such amendment may not, without the written agreement of a Participant, materially reduce or otherwise prejudicially affect the rights attaching to the Rights granted or the Shares issued or transferred pursuant to and still subject to the Plan, other than in certain circumstances (for example, if the amendment introduced primarily for the purpose of complying with the ASX Listing Rules or the Corporation Act).

**All Correspondence to:**

- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:00am Sydney time on Tuesday 27 November 2018.**

### 🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/d13agm2018>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

### 📱 BY SMARTPHONE



Scan QR Code using smartphone QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.  
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:00am Sydney time on Tuesday, 27 November 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

#### Proxy forms may be lodged:

- 💻 **Online** <https://www.votingonline.com.au/d13agm2018>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Your Address**  
 This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.  
**Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Department 13 International Ltd** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Offices of Henslow, Level 18, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000, Thursday, 29 November 2018 at 9:00am Sydney time** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 2 & 7, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1, 2 & 7 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1 & 7), except Resolution 2. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**  
 \* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Special meeting to be held within 90 days "Spill Resolution"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Dr Miles Jakeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Mr Steven Shattil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Director – Mr Philip George	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Adoption of Department 13 International Ltd Equity Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SECURITYHOLDERS**  
 This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary