

CLEANSING PROSPECTUS

Further to the announcement of a placement on 27 July 2016, the Company will issue 52,000,000 shares at a price of \$0.125 per share to raise \$6,500,000 under the placement and 633,413 shares at a price of \$0.126 in lieu of provision of service provided by external consultants.

Attached is the Cleansing Prospectus to enable the shares issued under the placement to be free of trading restrictions and to trade on the secondary market.

The primary purpose of the Prospectus is to remove any trading restrictions that may have attached to securities issued by the Company prior to the Closing Date including the Shares issued under the Placement and issue in lieu of provision of service. The Prospectus is for an offer of up to 16,000 shares at an issue price of \$0.125 per share to raise up to \$2,000 (before expenses).

For more information, contact

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ABOUT Department 13 International Ltd

D13 was founded in Virginia in 2010 by a team of former military operators, scientists and engineers who apply proprietary innovative advanced technology to emerging requirements.

D13 is developing cutting edge software and communication systems that have the potential to transform the networking and communication fields as well as current applications in drone defense, mobile phone IT security and secure enhanced android phone systems.

D13 has 11 patents and 14 patent applications in the development of wireless protocol manipulation and communication networking software with applications in:

- Drone defense;
- Local area and wide area cellular communications and networking;
- Enhanced data bandwidth for all digital communications
- Cyber security for mobile devices;
- Sophisticated applications in the RF environment (Radiometrics).

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DEPARTMENT 13 INTERNATIONAL LTD

ACN 155 396 893

PROSPECTUS

For an offer of up to 16,000 Shares at an issue price of \$0.125 per Share to raise up to \$2,000 (before expenses) (**Offer**).

This Prospectus has been prepared primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Jonathan Hunter
(Chairman, CEO)

Ms Kathleen Kiernan
(Executive Director)

Mr Al Teller
(Executive Director)

Mr Philip George
(Non-Executive Director)

Mr Gavin Rezos
(Non-Executive Director)

Company Secretary

Mr Kevin Kye

ASX Code: D13

Registered Office

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Website www.department13.com.

Share Registry*

Automic Registry Services
Level 1, 7 Ventnor Avenue
West Perth WA 6005

Telephone (in Aust): 1300 288 664
Telephone (outside Aust): +61 8 9324 2099

Solicitors*

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditor*

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

2.1 Timetable and Important Dates

Action	Date*
Lodgement of Prospectus with ASIC and ASX	2 August 2016
Offer Opening Date	2 August 2016
Offer Closing Date*	4 August 2016
Anticipated date of Official Quotation of the Shares	5 August 2016

*These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

2.2 Important Notes

This Prospectus is dated 2 August 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

The Offer is only available to those who are personally invited to accept the Offer. Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

2.3 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

2.4 Overseas Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

2.5 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

3. UPDATE AND DETAILS OF THE OFFER

3.1 Company Update

The Company was re-instated to trading on ASX on 13 January 2016 following the acquisition of the business of D13.

On 27 June 2016, the Company announced to ASX that it had secured commitments for a placement up to \$6,500,000 by way of an issue of 52,000,000 Shares at an issue price of \$0.125 per Share (**Placement**). The opportunity to undertake the Placement has been made available through the rapid growth and development of the Company's assets since its re-instatement to trading and the Company intends to use those funds to continue to fast track the development of the Company beyond what it had originally contemplated at the time of its prospectus dated 3 December 2015.

3.2 The Offer

By this Prospectus, the Company invites investors to apply for a total of 16,000 Shares in the capital of the Company at an issue price of \$0.125 per Share to raise up to \$2,000 (before costs).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 5 for further information regarding the rights and liabilities attaching to the Shares.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Securities issued by the Company prior to the Closing Date, including the Shares issued under the Placement and issued in lieu of provision of service.

Relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.3 Minimum subscription

There is no minimum subscription.

3.4 Acceptance

Your acceptance of the Offer must be made on the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.125 per Share.

Completed Application Forms must be mailed **by post to:**

PO Box 1628
Subiaco WA 6904

3.5 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Department 13 International Ltd**" and crossed "Not Negotiable".

Your completed Application Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date.

3.6 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.7 Issue

The issue of Shares offered under the Offer will take place as soon as practicable after the Closing Date. Application monies will be held in a separate subscription account until the Shares are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether any Shares are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares issued is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no issue of Shares is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

3.8 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Securities on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.9 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary, on +61 8 9489 4890.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus), including relating to the Placement.

Under the Offer, an amount of approximately \$2,000 (before expenses) will be raised. All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Financial Effect of the Offer

After paying for the expenses of the Offer of approximately \$7,320, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$2,000) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position of reducing the cash balance by \$5,320, being receipt of funds of \$2,000 less expenses of the Offer of \$7,320.

4.3 Effect of the Offer

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue ¹	415,503,500
Shares issued under the Placement ²	52,000,000
Shares issued in lieu of provision of service	633,413
Shares offered pursuant to the Offer	16,000
Total Shares on issue after completion of the Offer³	468,152,913

Notes:

- ¹ This amount includes 301,100,000 escrowed Shares with various escrow periods.
- ² Assumes full subscription under the Placement.

Performance Shares

	Number
Performance Shares currently on issue ¹	284,000,000

Note:

- ¹ Subject to an escrow period of 24 months from 13 January 2016.

Options

	Number
Unquoted Options currently on issue: 40,000,000 exercisable at \$0.025 on or before 18/12/2020 2,100,000 exercisable at \$0.40 on or before 15/09/2016	42,100,000
Total Options on issue after completion of the Offer¹	42,100,000

Note:

- ^{1.} Subject to an escrow period of 24 months from 13 January 2016.

Performance Rights

	Number
Performance Rights currently on issue ¹	51,250,000

Note:

- ^{1.} The Performance Rights are subject to certain vesting conditions. A summary of the terms of the Performance Rights is set out in the notice of meeting announced on 28 October 2015. The Performance Rights are subject to an escrow period of 24 months from 13 January 2016.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or corporate representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

5.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or corporate representative;
 - (i) on a show of hands, every person present who is a Shareholder or a representative of a Shareholder has one vote in respect of each Share carrying the right to vote; and
 - (ii) on a poll, every person present who is a Shareholder or a proxy, attorney or corporate representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or corporate representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

5.3 Dividend rights

The directors alone may declare a dividend to be paid to shareholders. The dividend is payable at a time determined in the directors' discretion. No dividend may be declared or paid except as allowed by the Corporations Act. No interest is payable in respect of unpaid dividends. The directors may set aside of the Company's profit any amount that they consider appropriate. This amount may be used in any way that profits can be used, and can be invested or used in the Company's business in the interim.

5.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or

any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

5.5 Shareholder liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

5.6 Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

5.7 Variation of rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

5.8 Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6. RISK FACTORS

6.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific

(a) Dependency on Government Budgets

D13 is currently involved with a number of US Federal Government agencies in the defence and law enforcement sectors, and is reliant on the those government agencies remaining a customer of D13 and as a partner for product development activities. If US Federal Government agencies' budgets are reduced or their funding priorities reallocated, this may have an adverse effect on the Company's business activities, sales and potential research and development programmes, as well as on D13's ability to fund those activities.

(b) Patent rights

D13 relies heavily for its success on its ability to obtain and maintain patent protection for its technology. D13 holds both granted and pending patent applications (**Intellectual Property Rights**) in respect of the D13 Technologies. Whilst D13 holds current granted patents, the prospect of obtaining patent protection for products and the technology such as those proposed under the patent applications is highly uncertain and involves complex and continually evolving factual and legal questions. These include legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect D13's ability to obtain patents for its products and technologies. In addition, the scope of patent applications the scope of protection in the issued patent being significantly less than the scope of protection sought by D13. As a result, D13's patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to D13, or may not afford D13 adequate protection from competing products.

In particular, objections have been raised in relation to the following D13 patent applications:

- (i) patent application 13/116,984, citing an existing patent owned by a third party; and

- (ii) patent application 14/164,254 for lack of patentable subject matter.

If D13 is not able to overcome these objections, there is a risk that it will not be awarded the applicable patents. Alternatively, in modifying the relevant claims to address the objections, there is a risk that the scope of protection in the issued patents being significantly less than the scope of protection sought by D13. In addition, since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind

actual discoveries, D13 cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

Even if D13 succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.

(c) **Protection of Intellectual Property Rights**

D13 holds granted and pending patent applications. The Company may be required to spend significant resources to monitor and protect the intellectual property of D13. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel. In addition, unauthorised use of the D13's technology and brand in counterfeit products or services could not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

(d) **Infringement of third party intellectual property rights**

If a third party accuses D13 of infringing its intellectual property rights or if a third party commences litigation against D13 for the infringement of patent or other intellectual property rights, D13 may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that D13 incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against D13 may be able to obtain injunctive or other equitable relief that could prevent D13 from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against D13, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent D13 from commercialising available products and could cause it to incur substantial expenditure.

(e) **Technology Risk**

D13 has developed its own technology in house, and will continue to develop and seek advancements in its technology. The development and advancement of technology is complex, and progression may be subject to unexpected difficulties and external factors. Further, operating systems, components, hardware and software will require updating and maintenance, which may also affect the ability of D13 to effectively maintain, develop and upgrade its technology, which may in turn have a detrimental effect on D13's operating and financial performance.

D13's primary technology is focused on delivering counter-drone defense systems. Drone manufacturers may seek to block the manner of control used by D13 or radically change the way drones are controlled by users. For D13's technology and products to remain relevant and effective, D13 will need to continue to advance its technology to counter advancements that may be made by drone manufacturers.

(f) **Drone usage**

Drone usage has become prevalent and grown rapidly in recent years and the Company considers that drone usage will continue to be prevalent in future. D13's primary technology is focused on delivering counter-drone defense systems and the success of its business is therefore dependent upon drone usage becoming more prevalent. If, however, drone usage does not continue to increase significantly then the need for drone defense systems may be reduced, which will adversely affect D13's operations and prospects.

(g) **Regulatory environment**

D13's operations are involved in potentially sensitive areas. Matters involving government and law enforcement, property rights (buildings, air space and public open space), security, cyber security, communications and privacy are subject to numerous regulatory requirements and constraints, which are likely to evolve over time. Some of D13's proposed activities may become restricted through regulatory changes, including if government authorities were to decide that some of D13's technology is nationally sensitive or contrary to public interests. This could detrimentally affect D13's ability to offer certain services, or may require D13 to comply with a range of regulatory requirements. Regulatory changes could otherwise see D13 being required to obtain and hold licences in some jurisdictions or otherwise comply with specific regulations. Failure to comply with such obligations could result in remedial action or litigation, which could potentially lead to D13 being required to take remedial actions, including paying compensation or a fine. Regulatory changes may also result in increased costs and resources for regulatory compliance, which could impact upon the Company's financial position and financial performance.

Technologies such as those of D13 which effectively take control of a drone owned by a third party may have legal ramifications and in some cases may be illegal in some jurisdictions. Such regulatory issues may impact on the extent to which D13 is able to commercialise its drone defence technology outside the defence, law enforcement and public safety sectors.

(h) **Competition and new technologies**

The industry in which the Company is involved, is highly competitive and is subject to increasing competition which is fast-paced and fast-changing. While the Company undertakes all reasonable due diligence in its business decisions and operations, it has no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of D13's projects and business.

For instance, new technologies could overtake the advancements made by D13 which could negatively impact on the financial position and financial performance of the Company. Competing technologies could be developed or could get to market with a solution before D13 and reduce the market opportunity, even with a less comprehensive solution. This may be particularly true of large well-resourced defense integrators. Similarly, aggressive pricing or additional service offerings from competitors could require the Company to adjust its own pricing and service offerings to continue to generate business, which could negatively impact on the financial position and financial performance of the Company.

(i) **C MIMO Technology License**

The Company may not be able to attract US or Australian government agency or department interest to facilitate or sponsor the adoption of the C MIMO technology by the US or Australian governments or may not be able to incorporate the technology into its drone defense products, resulting in a loss of the License Agreement from lack of commercialisation.

(j) **Research and development activities**

Research and development activities for products are expensive, time consuming and difficult to design and implement. Even if the results of D13's research and development activities are favourable, some product development activities may be expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities, including state and local, may suspend, delay or terminate research and development activities at any time for various reasons. Any of the foregoing could have a material adverse effect on D13's business, results of operations and financial condition.

(k) **Sufficiency of funding**

Further funding of projects may be required by the Company to support the ongoing activities and operations of D13, including the need to conduct further research and development, enhance its operating infrastructure and to acquire complementary businesses and technologies.

Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. If the Company is unable to use debt or equity to fund expansion after utilising existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(l) **Limited trading history**

D13 was founded in 2010 and whilst its management have significant experience in the industry, D13 has a limited trading history. In its first four years of operations, D13 has generated revenue from repeat discrete small value contracts. Given this limited trading history, there is inherent uncertainty in relation to D13's business, and investors should consider D13's prospects in light of its limited trading history. There can be no guarantee that D13's research and development initiatives will be successful, or even if they are successful, to be able to generate commercially viable levels of revenue. Consequently, there can be no forecast or confirmation as to the Company's future performance.

(m) **Reliance on key personnel**

The recent developments of D13 have been in large part due to the talent, effort and experience of its senior management team, in particular the leadership of Jonathan Hunter and Robi Sen along with technical skills provided by Steve Shattil. Although these individuals have entered into executive services agreements, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed which may adversely affect the business.

D13 is also substantially dependent on the continued service of its existing engineering personnel because of the complexity of its services and technologies. There is no assurance that D13 will be able to retain the services of these persons.

(n) **Research and development**

The Company can make no representation that any of its research into or development of its security and surveillance technologies will be successful, that the development milestones will be achieved, or that the security and surveillance technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of technology related products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(o) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(p) **Foreign exchange risks**

The Company will be operating in numerous jurisdictions, including the USA. Consequently, it may generate revenue and incurs costs and expenses in more than one currency. Accordingly, the depreciation and/or the appreciation of the US dollar, for example, relative to the Australian Dollar would result in a foreign currency loss/gain. Any depreciation of the foreign currencies relative to the Australian Dollar may result in lower than anticipated revenue, profit and earnings.

6.3 General risks

(a) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology related stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(c) **Insurance coverage**

The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company proposes to arrange and maintain insurance coverage for its employees, as well as professional indemnity, product liability and third party liability insurance, however it does not currently propose to arrange and maintain business interruption insurance or insurance against claims for certain property damage. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or performance may be adversely affected.

(d) **Litigation**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property and patent claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(e) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, malicious cyber hacking, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Unforeseen risk**

There may be other risks which the Directors are unaware of at the date of this Prospectus which may impact on the Company, its operation and/or the valuation and performance of the Shares.

(g) **Combination of risks**

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of the Company.

(h) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(i) **Growth**

There is a risk that the Company may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel and third party personnel may also be a significant obstacle to growth.

6.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities. Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

7. ADDITIONAL INFORMATION

7.1 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

7.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
29/07/2016	Appendix 4C - quarterly
27/07/2016	A\$6.5m placement enables acceleration of MESMER
25/07/2016	Trading Halt
19/07/2016	D13 appoints Phoenix Group as Latin America Distributor
14/07/2016	Agreement with Parsons on US NRL-ITD US\$245m IDIQ Contract
12/07/2016	Trading Halt
06/07/2016	D13 teamed with Parsons on multi-million dollar contract
05/07/2016	D13 launches MESMER-EX
04/07/2016	MESMER – Investor presentation
07/06/2016	D13 selected to participate in MITRE counter drone challenge
02/06/2016	Response to Price and Volume Query
06/05/2016	Appendix 3Y G Rezos
29/04/2016	Appendix 4C - quarterly
27/04/2016	US patent granted for counter-drone system
20/04/2016	US Department of Defense awards Department 13 a contract
05/04/2016	D13 to present at Techknow Event, New Website & Broker Research
04/04/2016	Department 13 selected by US Department of Defense
29/03/2016	Department 13 establishes a strategic relationship
24/03/2016	Change of Company Secretary and Registered Office
02/03/2016	Key appointments to counter-drone commercial team
29/02/2016	Half Yearly Report and Accounts
29/02/2016	NEW US PATENT FOR COOPERATIVE SUBSPACE CODING
10/02/2016	Aiming for counter-drone security product production in 2016
04/02/2016	IMSL appointed as regional distributor in UK and Europe

Date	Description of Announcement
29/01/2016	Appendix 4C – quarterly
20/01/2016	EPE appointed as Australasian Regional Distribution Partner
15/01/2016	Becoming a substantial holder
15/01/2016	Notices of Initial Substantial Holder x7
14/01/2016	NEW U.S. PATENT TO ENHANCE DRONE DEFENCE CAPABILITIES
13/01/2016	Commercial and Corporate Update
11/01/2016	Updated Statement of Financial Position
11/01/2016	Capital structure and escrowed securities
11/01/2016	Pre-reinstatement confirmations
11/01/2016	Department 13 LLC 30 June 2015 Financial Statements
11/01/2016	Department 13 LLC 30 June 2014 Financial Statements
11/01/2016	Department 13 LLC 30 June 2012 Financial Statements
11/01/2016	Department 13 LLC 30 June 2013 Financial Statements
11/01/2016	Corporate Governance
11/01/2016	Securities Trading Policy
11/01/2016	Information Form and Checklist
11/01/2016	Appendix 1A
11/01/2016	Top 20 Holders
11/01/2016	Distribution Schedule
11/01/2016	Pre-reinstatement disclosure
11/01/2016	ASX Notice – Reinstatement to Official Quotation
11/01/2016	Reinstatement to Official Quotation (13/01/2016)
23/12/2015	Initial director Interest Notices x 5
18/12/2015	Final Director Interest Notices x 3
18/12/2015	Appendix 3B
18/12/2015	Close of Offer and Completion of Acquisition of D13
03/12/2015	Replacement Prospectus
30/11/2015	Change of name to Department 13 International Ltd
30/11/2015	Results of Meeting
27/11/2015	Suspension from official quotation
19/11/2015	Prospectus
12/11/2015	Department 13 Updated Information
29/10/2015	Quarterly Activities Report
29/10/2015	Quarterly Cashflow Report
28/10/2015	Notice of Annual General Meeting
26/10/2015	Department 13 Proposed New Board Members
01/10/2015	Department 13 Due Diligence Completed

Date	Description of Announcement
01/10/2015	Appendix 4G & Corporate Governance Statement

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.department13.com.

7.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.165	2 June 2016
Lowest	\$0.097	26 May 2016
Last	\$0.125	1 August 2016

7.4 Details of Substantial Holders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus is set out in the table below.

Shareholder	Shares	%
Jonathan Hunter	41,600,000	10.01
Robi Sen	40,000,000	9.63
Roger Davies	33,200,000	7.99
Paul McCarthy	30,800,000	7.41
Nicholas Clark	29,250,000	7.04
Gavin Rezos	23,225,000	5.59
Bryan Halfpap	21,360,000	5.14
Steven Shattil	20,800,000	5.01

7.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or

- (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Shares	Performance Shares	Options	Performance Rights ¹
Jonathan Hunter	41,600,000	40,000,000	-	12,500,000
Kathleen Kiernan	125,000	-	-	3,000,000
Al Teller	50,000	-	-	3,000,000
Philip George	50,000	-		1,250,000
Gavin Rezos ²	23,225,000	26,500,000	17,000,000	4,000,000

Notes:

1. The Performance Rights are subject to certain vesting conditions. A summary of the terms of the Performance Rights is set out in the notice of meeting announced on 28 October 2015. The Performance Rights are subject to an escrow period of 24 months from 13 January 2016.
2. Held as follows: 6,250,000 Shares, 13,500,000 Performance Shares and 4,000,000 Performance Rights held by Gavin Rezos; 3,975,000 Shares held by Aymon Pacific Pty Ltd; 13,000,000 Shares, 13,000,000 Performance Shares and 13,000,000 Options exercisable at \$0.025, expiring 18/12/2020 held by Joanne Rezos and 4,000,000 Options exercisable at \$0.025, expiring 18/12/2020 held by Viaticus Capital.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In

addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	Remuneration for year ended 30 June 2014 ¹	Remuneration for year ended 30 June 2015 ¹	Remuneration for year ended 30 June 2016
Jonathan Hunter	Nil	Nil	\$166,473
Kathleen Kiernan	Nil	Nil	\$20,022
Al Teller	Nil	Nil	\$20,022
Philip George	Nil	Nil	\$15,330
Gavin Rezos	Nil	Nil	\$20,022

Note:

- ^{1.} All Directors were appointed on 18 December 2015.

7.6 Director Services Agreements

The Company has entered into agreements with Directors for the provision of executive and non-executive services provided to the Company. Further details of the agreements are set out in the replacement prospectus lodged with ASX on 3 December 2015.

7.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

7.8 Expenses of the offer

In the event that the Offer is fully subscribed, the total expenses of the Offer are estimated to be approximately \$9,120 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,320
Legal fees	5,000
Total	<u>7,320</u>

7.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9489 4890 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.deparment13.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

7.10 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

7.11 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6 of this Prospectus.

7.12 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

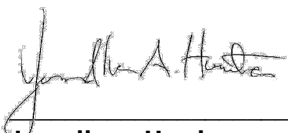
You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Jonathan Hunter
Director
For and on behalf of
DEPARTMENT 13 INTERNATIONAL LTD

9. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares and Options pursuant to the Offer.

Application Form means the Application Form attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

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.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

Constitution means the constitution of the Company as at the date of this Prospectus.

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

D13 means the Company's wholly owned subsidiary Department 13 LLC, a limited liability company incorporated in Virginia, the United States of America.

Directors means the directors of the Company as at the date of this Prospectus.

License Agreement means the Patent License Agreement made on 1 October 2015 between Genghiscomm Holdings, LLC and D13, as amended and restated on 17 November 2015.

Offer means the offer of Shares the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Securities means Shares and/or Options offered pursuant to the Offer.

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

Shareholder means a holder of a Share.

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