
NOTICE OF EXTRAORDINARY GENERAL MEETING 2018

EXPLANATORY STATEMENT

AND PROXY FORM

Date

18 May 2018

Time

11:00am, Sydney time (Registration commences at 10:45am, Sydney time)

Venue

The offices of Boardroom, Level 12, 225 George Street, Sydney NSW 2000

Your vote is important

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

Voting in person

To vote in person, attend the Extraordinary 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 EXTRAORDINARY GENERAL MEETING 2018

Notice is given that an Extraordinary General Meeting (**Meeting**) of Shareholders of Department 13 International Ltd (the **Company**) will be held at the offices of Boardroom, Level 12, 225 George Street, Sydney NSW 2000 on 18 May 2018 at 11:00am (Sydney time).

Further details in respect of the Resolution proposed in this Notice of Extraordinary 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

1. Resolution 1: Ratification of prior Share issue

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue of 2,000,000 fully paid ordinary shares at a deemed issue price of \$0.074 per share, on the terms and conditions set out in the Explanatory Statement which accompanied and formed part of this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who participated in the share issue or any associates of those people.

However, the Company need not disregard a vote if:

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

2. Resolution 2: Ratification of prior Convertible Note issue

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue of 70,000,000 convertible notes each with an issue price and face value of \$0.10 (10 cents), having a maturity date of 21 March 2020 each convertible to one share to sophisticated, professional and other exempt investors on the terms and conditions set out in the Explanatory Statement which accompanied and formed part of this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who participated in the share issue or any associates of those people.

However, the Company need not disregard a vote if:

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

3. Resolution 3: Approval of issue of Convertible Notes

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 50,000,000 convertible notes each with an issue price and face value of \$0.10 (10 cents), having a maturity date of 21 March 2020 each convertible to one share to sophisticated, professional and other exempt investors on the terms and conditions set out in the Explanatory Statement which accompanied and formed part of this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who may participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associates of those people.

However, the Company need not disregard a vote if:

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

4. Resolution 4 Approval of the Company acquiring a Relevant Interest in its own Shares as a result of entering into Escrow Deeds

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

“That, for the purposes of item 7 of section 611 of the Corporations Act, approval is given for the acquisition by the Company of a Relevant Interest in and Voting Power of, a number of its own shares up to 40.50% of the total Shares on issue on the terms and conditions set out in the Explanatory Statement which accompanied and formed part of this Notice.”

Voting Prohibition: The Company will disregard any votes cast in favour of this resolution by or on behalf of the Company and its associates and the persons (if any) from whom the acquisition is to be made and their associates.

However, the Company need not disregard a vote cast on this Resolution if:

- it is cast by a person a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person Chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the directions 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



Tharun Kupanda
Company Secretary

18 April 2018

PROXY AND VOTING INSTRUCTIONS

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 16 May 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 Extraordinary General Meeting (**Notice**) the Extraordinary General Meeting (**Meeting**) to be held at the offices of Boardroom, Level 12, 225 George Street, Sydney NSW 2000 on 18 May 2018 at 11:00am (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.

1. Resolution 1: Ratification of Prior Share Issue

The Company is seeking shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue on 28 December 2017 of 2,000,000 Shares at a deemed issue price of \$0.074 per Share to operations staff as part of an employee benefit and in lieu of cash payment required to attract key operation staff. The Appendix 3B relating to the issue was announced to ASX on 28 December 2017.

The 2,000,000 Shares were issued without shareholder approval under the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of the twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 and/or Listing Rule 7.1A (provided that the previous issue of securities did not breach ASX Listing Rule 7.1 or 7.1A) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1 and 7.1A (if applicable). The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1 and 7.1A.

The following information is provided in accordance with Listing Rule 7.5:

Number of securities issued	2,000,000 Shares
The date the securities were issued	28 December 2017
The issue price of the securities	The Shares were issued at a deemed issue price of \$0.074 per Share.
The names of the persons who were issued securities	To operation staff as part of an employee benefit. The Shares were issued in lieu of cash payment required to attract key operation staff.
Terms of the securities	Shares allotted and issued rank equally with, and have the same terms and rights as, the issued Shares of the Company.
The intended use of funds	No funds were raised from the issue. The Shares were issued in lieu of cash payment required to attract key operation staff.
Voting Exclusion	A voting exclusion statement for this Resolution is included in the Notice.

2. Resolution 2: Ratification of Prior Convertible Note issue

The Company is seeking shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue on 21 March 2018 of 70,000,000 convertible notes with an issue price face value of \$0.10 (10 cents), having maturity date of 21 March 2020, each convertible to one share to sophisticated, professional and other exempt investors

(Tranche 1 Convertible Notes). The Tranche 1 Convertible Notes proposed to be ratified by shareholders under Resolution 2 were issued as the first tranche of the capital raising disclosed in the Company's prospectus lodged with ASIC and released to ASX on 21 March 2018. The Tranche 1 Convertible Notes the subject of this Resolution 2 were the subject of a convertible note deed (**Deed**) as disclosed in the Company's prospectus lodged with ASIC and released to ASX on 21 March 2018.

The 70,000,000 Tranche 1 Convertible Notes were issued without shareholder approval under the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of the twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.5:

Number of securities issued	70,000,000 Tranche 1 Convertible Notes, each convertible to one share
The date the securities were issued	21 March 2018
The issue price of the securities	The Tranche 1 Convertible Notes were issued at an issue price and face value of \$0.10 each and the issue raised \$7,000,000 (before costs).
The names of the persons who were issued securities	The Tranche 1 Convertible Notes were issued to sophisticated, professional and other exempt investors who are clients of, or were identified by, Henslow Markets Pty Ltd.
Terms of the securities	A summary of the terms of the Tranche 1 Convertible Notes are set out in Annexure A. Shares issued upon conversion of Tranche 1 Convertible Notes will rank equally with and have the same terms as, the issued Shares of the Company.
Use of funds	Funds raised from issue of the Tranche 1 Convertible Notes have (or will) be used for working capital including investment in demonstration units, scaling up marketing and sales efforts and facilitating pipeline of sales opportunities and to support the Company's recent patent portfolio acquisition.
Voting Exclusion	A voting exclusion statement for this Resolution is included in the Notice.

3. Resolution 3: Approval to issue Convertible Notes

The Company is seeking shareholder approval to issue up to 50,000,000 convertible notes with an issue price face value of \$0.10 (10 cents), having a maturity date of 21 March 2020, each convertible to one share to sophisticated, professional and other exempt investors (**Tranche 2 Convertible Notes**). The Tranche 2 Convertible Notes will have identical terms to the Tranche 1 Convertible Notes proposed for ratification under Resolution 2 and represent the second tranche of the capital raising as disclosed in the Company's prospectus lodged with ASIC and released to ASX on 21 March 2018. It is proposed the Tranche 2 Convertible Notes will be

subject to a convertible note deed (**Deed**) on terms consistent with the deed entered into with respect to the issue of the Tranche 1 Convertible Notes.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve-month period any equity securities, or other securities with rights of conversion to equity (such as options) if the number of those securities exceeds 15% of the share capital on issue at the commencement of that twelve-month period. One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting.

ASX Listing Rule 7.3 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 7.1 must include the following information:

Number of securities proposed to be issued	Up to 50,000,000 Tranche 2 Convertible Notes convertible at \$0.10 per share
The issue price of the securities	The Tranche 2 Convertible Notes will have an issue price and face value of \$0.10 each. If all Tranche 2 Convertible Notes are issued under this Resolution 3 then \$5,000,000 will be raised (before costs).
The names of the persons who are proposed to be issued securities	The Tranche 2 Convertible Notes are proposed to be issued to sophisticated, professional and other exempt investors who are clients of, or were identified by, Henslow Markets Pty Ltd. No Tranche 2 Convertible Notes under this Resolution 3 will be issued to Directors of the Company or their associates.
Proposed issue date	The issue date of Tranche 2 Convertible Notes under this Resolution 3 will occur progressively and, in any event, no Tranche 2 Convertible Notes will be issued later than 3 months after the date of the Meeting.
Proposed terms of the securities	The proposed summary terms of the Tranche 2 Convertible Notes are set out in Annexure A. Shares issued upon conversion of Tranche 2 Convertible Notes will rank equally with and have the same terms as, the issued Shares of the Company
The intended use of funds	Funds raised from issue of the Tranche 2 Convertible Notes are intended to be used for working capital including investment in demonstration units, scaling up marketing and sales efforts and facilitating pipeline of sales opportunities and to support the Company's recent patent portfolio acquisition.
Voting Exclusion	A voting exclusion statement for this Resolution is included in the Notice.

4. Resolution 4: Approval of the Company acquiring a Relevant Interest in its own Shares as a result of entering into Escrow Deeds

As announced on 5 February 2018, the Company proposes entering agreements with management and founders of the Company for the voluntary escrow of 200,000,000 shares held by those parties (**Escrowed Shares**) until 18 December 2018 (**Escrow Deeds**). No associate of the Company will acquire any interest as a result of the voluntary escrow of the Escrowed Shares. A summary of the terms of the Escrow Deeds is set out below.

The Escrowed Shares were subject to ASX imposed mandatory escrow from when they were issued in 2015, which has since lapsed. The Escrow Deeds will have the effect of re-instating escrow on the Escrowed Shares.

A company is deemed to have a relevant interest in ordinary shares under voluntary escrow because the escrow restricts disposal, including an interest in the voting shares even though the Company cannot and will not exercise the voting power. Holders of shares subject to voluntary escrow will retain and be entitled to exercise

the voting power of those shares provided they comply with all the terms of the Escrow Deeds. Other than restricting disposal during the escrow period in accordance with the Escrow Deeds, the Company will not exercise any right arising in respect of any ordinary shares subject to voluntary escrow, including any voting right.

Execution of the Escrow Deeds will result in the Company acquiring a relevant interest (as that term is defined in the Corporations Act) in the shares proposed to be subject to voluntary escrow. The Escrowed Shares represent 37.80% of the ordinary shares on issue.

There are currently 11,250,000 ordinary shares (representing approximately 2.13% of the ordinary shares on issue) subject to existing voluntary escrow arrangements until 3 August 2018. This means that until 3 August 2018 the Company would have a total relevant interest of approximately 39.95%.

The Company has 13,333,333 performance rights on issue that could convert on 18 December 2018. The ordinary shares issued upon conversion of those performance right are to be subject to voluntary escrow for 12 months from issue. That will mean that for one day the total relevant interest (if those performance rights convert on 18 December 2018) would be 40.50%. The following day the Company's relevant interest in escrowed shares would reduce to approximately 2.46%.

The Company is therefore seeking shareholder approval to acquire a relevant interest of up to 40.50% in its own shares.

In the event shareholder approval is not obtained pursuant to this Resolution, the Escrowed Shares will not be subject to voluntary escrow, the Company will not enter the Escrow Deeds and will not acquire a relevant interest in the Escrowed Shares.

Corporations Act

Relevant interest

Under section 608(1) of the Corporations Act, a person is taken to have a relevant interest in securities if the person, amongst other things, has power to dispose of, or control the exercise of power to dispose of, those securities. In addition, section 608(9) of the Corporations Act provides a body corporate may have a relevant interest in its own securities. Therefore, as a result of entering into the Escrow Deeds, the Company will be taken to have a relevant interest in the Escrowed Shares set out in the table above.

Voting power

Section 610 of the Corporations Act provides a person's voting power is based on the number of voting shares that the person (or their associate) has a relevant interest in, even if the person's relevant interest in voting shares is based on control over disposal of the shares (rather than control over voting rights attached to the shares). Therefore, as a result of entering into the Escrow Deeds, the Company will acquire voting power equal to the number of Escrowed Shares set out in the table above (despite having no power to exercise voting rights in respect of the Escrowed Shares).

Prohibition

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person or someone else's voting power increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90%. The prohibition in section 606 is subject to various exceptions contained in section 611 of the Corporations Act.

The table below sets out the Company's relevant interest arising from execution of the Escrow Deeds:

Total shares on issue as at the date of this Notice	529,111,967
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From execution of Escrow Deeds until 3 August 2018	
Shares currently subject to voluntary escrow (expires 3 August 2018)	11,250,000
The Escrowed Shares	200,000,000
Total shares proposed to be subject to voluntary escrow (to 3 August 2018)	211,250,000
% relevant interest in total shares (approximate) (to 3 August 2018)	39.95%

From 4 August 2018 to 17 December 2018	
Shares voluntarily escrowed on 4 August 2018	200,000,000
% relevant interest in total shares (approximate)	37.80%

18 December 2018	
Total shares on issue following conversion of 13,333,333 performance rights on 18 December 2018 (if all convert)	542,445,300
Total shares subject to voluntary escrow on 18 December 2018	213,333,333
% relevant interest in total shares (approximate)	40.50%

From 19 December 2018	
Total shares subject to voluntary escrow on 19 December 2018	13,333,333
% relevant interest in total shares (approximate) on 19 December 2018	2.46%

The above table and below notes assume the Company does not issue any additional ordinary shares and that no existing convertible securities (other than the performance rights to which the Escrowed PR Shares relate) convert to ordinary shares. If additional ordinary shares are issued the Company's interest in the ordinary shares of the Company will decrease.

If the Company enters into the Escrow Deeds, the Company will acquire total relevant interests in 211,250,000 shares, representing approximately 39.95% of the total shares on issue and the Company would therefore acquire relevant interests prohibited under section 606 of the Corporations Act.

The existing voluntary escrow period for 11,250,000 shares will end on 3 August 2018. The Company will therefore have relevant interests in 200,000,000 shares, representing approximately 37.80% of the total shares on issue, on and from 4 August 2018.

If the 13,333,333 performance rights convert to ordinary shares on 18 December 2018, the Company will acquire total relevant interests in 213,333,333 ordinary shares, representing approximately 40.50% of the total shares that would be on issue following conversion of the 13,333,333 performance rights on 18 December 2018. On 19 December 2018 (the following day), the Company will have total relevant interests in 13,333,333 shares, representing approximately 2.46% of the total shares on issue.

Shareholder approval

Shareholder approval may be sought under item 7 of section 611 of the Corporations Act for the acquisition of a relevant interest in securities which would otherwise contravene section 606 of the Corporations Act. Resolution 4 therefore seeks shareholder approval for the acquisition by the Company of a relevant interest in the Escrowed Shares for the purposes of item 7 of section 611.

Requirements of notice for shareholder approval

Item 7(b) of section 611 of the Corporations Act provides that, in voting on a resolution for approval for the acquisition of a relevant interest, members must be given all information known to the person proposing to make the acquisition of a relevant interest or their associates, or the company, that was material to the decision on how to vote on the resolution, including:

- the identity of the person proposing to make the acquisition and their associates; and
- the maximum increase of that person's voting power in the company that would result from the acquisition; and
- the voting power that person would have as a result of the acquisition; and
- the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- the voting power that each of that person's associates would have as a result of the acquisition.

ASIC Regulatory Guide 74: Acquisitions approved by members provides additional guidance on the disclosure requirements of a notice of meeting seeking shareholder approval for the purposes of item 7 of section 611.

Identity of parties to the Escrow Deeds

As set out above, the Company is proposing to acquire a relevant interest in its own securities as provided for under the Corporations Act by entering into Escrow Deeds with management and founders of the Company for the voluntary escrow of Escrowed Shares held by those parties. The names of holders and numbers of Escrowed Shares held by parties with whom the Company is proposing to enter into Escrow Deeds with are set out below:

SHAREHOLDER (DIRECT AND INDIRECT)	ESCROWED SHARES HELD
Jonathan Hunter	40,000,000
Robi Sen	40,000,000
Ben Smith	20,000,000
Steve Shattil	20,000,000
Bryan Halfpap	20,000,000

SHAREHOLDER (DIRECT AND INDIRECT)	ESCROWED SHARES HELD
Paul McCarthy	30,000,000
Roger Davies	30,000,000
TOTAL	200,000,000

For the avoidance of doubt, the Company confirms none of its associates will acquire any interest in the Escrowed Shares as a result of entering into the Escrow Deeds.

Voting power of the Company

Pursuant to the Corporations Act and as set out above, the Company is deemed to currently hold voting power in approximately 2.13% of the shares on issue in the Company. If the Company enters into the Escrow Deeds, it would be deemed have acquired voting power in an additional 37.80% of the shares of the Company as a result of the voluntary escrow of the Escrowed Shares, resulting in a total interest in approximately 39.95% of the Company's shares. The Company will retain this interest until 4 August 2018 when its interest will reduce to 37.80% as described above.

If the 13,333,333 performance rights subsequently convert on 18 December 2018 the Company will be deemed to have acquired voting power in an additional 2.46% of the shares of the Company, resulting in a total interest of approximately 40.50% of the Company's shares. The Company will have this total relevant interest on 18 December 2018 only. On 19 December 2018, the Company's relevant interest will reduce to approximately 2.46%.

Except in respect of shares currently subject to voluntary escrow, and those shares held by Directors (or associates of Directors) as provided for in the Interests of Directors section of this Explanatory Memorandum, neither the Company nor any of its associates hold voting power in the securities of the Company.

As noted above, the Company will not be able to exercise any voting power in respect of the Escrowed Shares. This is consistent with shares currently subject to voluntary escrow. The holders of Escrowed Shares will continue to receive all benefits of holding those securities (including voting rights) other than disposal rights which are varied by the voluntary escrow of the Escrowed Shares.

Purpose of acquisition of relevant interest

The purpose of the Company acquiring a relevant interest as a result of voluntary escrow arrangements proposed to be entered into with respect to the Escrowed Shares is to:

- provide comfort to investors in the convertible notes the subject of Resolutions 2 and 3 that there will not be a significant sell-down of the Company's shares;
- align the interests of the holders of Escrowed Shares with those of other holders; and
- promote an orderly market for the Company's shares.

The proposed acquisition of a relevant interest by the Company in the Escrowed Shares will not result in any variation to the Company's current or planned business activities.

The proposed acquisition anticipated occur as a result of the Escrow Deeds which are proposed to be signed

shortly after, and subject to, receipt of shareholder approval pursuant to this Resolution 4. The Company has agreed with parties who hold Escrowed Shares that they will enter agreements for the voluntary restriction of Escrowed Shares provided all relevant approvals are obtained (including shareholder approval as provided for in this Resolution).

Terms of acquisition of relevant interest

The terms of the acquisition of a relevant interest by the Company are to be contained in the Escrow Deeds, a summary of which are provided for below.

Escrow Deeds

The Escrow Deeds are proposed to have identical terms but for the holder and number of Escrowed Shares, the details of which are contained in the table above.

Under the terms of the Escrow Deeds, the Company will, subject to the receipt of the required shareholder approval under this Resolution, apply a holding lock to the Shares as soon as practicable after execution of the Escrow Deeds. All the Escrowed Shares will be subject to the holding lock until 18 December 2018, unless one of the following events occurs:

- Acceptance of a bona fide takeover bid made under Chapter 6 of the Corporations Act in respect of the Escrowed Shares; or
- The Escrowed Shares are transferred or cancelled as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; or
- The holders of Escrowed Shares being required to offer Escrowed Shares for sale under an applicable law (including an order of a court of competent jurisdiction); or
- The offer of any of the Escrow Shares for sale is permitted in writing by the Board.

As noted above, the Escrow Deeds will not affect the holder's powers to exercising voting rights in respect of the shares they hold. In particular, the Escrow Deeds will not give the Company (or any Associate of the Company) power to exercise, or control the exercise of, the voting rights attached to the shares.

Interests of Directors

The Directors of the Company have interests in securities as set out in the tables below:

Director/Shareholder (and/or associate(s))	Jonathan Hunter	Timothy Davies	Philip George	Alvin Teller	Kathleen Kiernan	Steven Shattil
Shares:						
Number	41,600,000	600,000	1,300,000	3,050,000	3,125,000	20,800,000
% of existing issued shares	7.86%	0.11%	0.25%	0.58%	0.59%	3.93%

Director/Shareholder (and/or associate(s))	Jonathan Hunter	Timothy Davies	Philip George	Alvin Teller	Kathleen Kiernan	Steven Shattil
Options:						
Exercise price \$0.25 expiring 28/12/2022 ^{*^}	1,350,000					
Exercise price \$0.40 expiring 28/12/2022 ^{*^}	1,525,000					
Exercise price \$0.50 expiring 28/12/2022 ^{*^}	1,640,000					

Performance Rights[^]:						
1/3 vesting per year, commencing December 2018	12,500,000					5,000,000
1/3 rd vesting per year, commencing December 2018		3,000,000				
1/3 rd vesting per year, commencing December 2018			750,000	750,000	750,000	

** Vesting 28 December 2020.*

[^] Subject to earlier lapse or cancellation in accordance with the applicable terms of issue.

As noted above, 40,000,000 shares held by Jonathan Hunter and 20,000,000 shares held by Steven Shattil are proposed to be subject to voluntary escrow and become Escrowed Shares if this Resolution 4 is passed by shareholders. 4,166,666 of the performance rights held by Jonathan Hunter and 1,666,666 of the performance rights held by Steven Shattil are included in the 13,333,333 performance rights referred to for the purposes of calculating the Company's maximum potential relevant interest as at 18 December 2018.

None of the performance rights held by Timothy Davies, Philip George, Alvin Teller or Kathleen Kiernan will convert on 18 December 2018 or are included in calculating the Company's maximum potential relevant interest.

Other material information

As the Company is acquiring the relevant interest the Directors do not make a recommendation in respect of this Resolution 4.

There is no other information known to the Board which may be material to the decision on how to vote on this Resolution 4.

Voting prohibition

A voting prohibition as provided for in the Corporations Act applies to this Resolution as set out in the Notice.

Unless otherwise specified, all monetary amounts are expressed in Australian dollars.

GLOSSARY

\$ or A\$ means Australian dollars.

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.

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 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.

Escrow Deeds has the definition provided in the Explanatory Statement for Resolution 4.

Escrowed Shares has the definition provided in the Explanatory Statement for Resolution 4.

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

Meeting means the meeting convened by this Notice to be held at 11:00am, Sydney time on 18 May 2018 at the offices of Boardroom, Level 12, 225 George Street, Sydney, NSW, 2000.

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.

Performance Rights has the definition provided in the Explanatory Statement for Resolution 4.

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.

Tranche 1 Convertible Notes has the definition provided in the Explanatory Statement for Resolution 2.

Tranche 2 Convertible Notes has the definition provided in the Explanatory Statement for Resolution 3.

ANNEXURE A
TERMS OF CONVERTIBLE NOTES

Below is a summary of the of the rights, privileges and restrictions attaching to Tranche 1 Convertible Notes and proposing to attach to Tranche 2 Convertible Notes upon issue.

(a) **Term**

The Convertible Notes have a term of 24 months from the first issue date.

(b) **Issue Price and Face Value and**

Each Convertible Note will be issued at an issue price and face value of \$0.10 (10 cents).

(c) **Issue date**

Convertible Notes will be issued as soon as practicable. The Company will announce to ASX when the Convertible Notes are issued.

(d) **Priority**

The Convertible Notes will have a first-ranking priority and will rank in priority to the issued share capital and all preference shares and senior to all other debt of the Company. The Convertible Notes will at all times rank pari passu without priority amongst themselves.

Without approval of a 75% majority of holders of the Convertible Notes (by number of convertible notes held) and the tranche 2 Convertible Notes (if issued), the Company must not issue any convertible notes with an issue price or face value of more than \$12,000,000 in aggregate or raking in priority to the Convertible Notes.

(e) **Quotation**

The Convertible Notes will not be quoted (listed).

(f) **Interest**

The Company must pay interest at a rate equal to 12% per annum compounding quarterly, calculated on a daily basis (at the per annum rate for the actual number of days in the relevant period) and payable in cash quarterly in arrears on the dates which in each calendar year are 3, 6, 9 and 12 months after the date upon which the Convertible Notes are issued, including on the maturity date (**Interest Instalment Dates**). Interest is to be paid pro rata for interest periods of less than 3 months.

(g) **Security**

The Convertible Notes are secured by a first ranking security interest over all of the Company's present and after-acquired property to secure its obligations to the Noteholders. AET Corporate Trust Pty Ltd has been appointed as security trustee.

(h) **Conversion**

A Noteholder may elect to convert Convertible Notes into shares as at each conversion date at the conversion price, being the face value of each Convertible Note:

- i. upon giving written notice to the Company specifying the number of Convertible Notes to be converted not more than 10 business days and not fewer than 5 business days before an Interest Instalment Date and making payment of the conversion price to the Company in cash; and
- ii. the number of Convertible Notes specified in the notice will be converted (and deemed cancelled) on that Interest Instalment Date.

(i) **Redemption and Repayment**

- i. Unless the Noteholders have given a conversion notice for all the remaining Convertible Notes, the Convertible Notes (or balance of Convertible Notes, as applicable) will be redeemed at face value by payment of cash to the holder of the Convertible Notes on the maturity date.
- ii. Any interest accrued but unpaid at the maturity date will be paid in cash.
- iii. The Company and the Noteholders may vary any dates or time periods, or waive or vary any of the conversion, redemption or repayment requirements by written agreement.

(j) **Reconstruction**

If the shares of the Company are reconstructed (by being divided or consolidated, or re-classified), the Convertible Notes then on issue will be reconstructed and the conversion price adjusted on the same basis as if the Convertible Notes immediately held by an investor before the reconstruction were a parcel of pre-reconstruction shares which would have been issued upon conversion of the Convertible Notes immediately before the reconstruction and the total face value of all the Convertible Notes held by that investor remains the same (but for rounding).

If the Company is admitted to the official list of ASX or another securities exchange at the time Shares are reconstructed (by being divided or consolidated, or re-classified), the Convertible Notes will be reconstructed (including the adjustment of the conversion price and face value per Convertible Note) in accordance with the listing rules of ASX (or equivalent rules of the other securities exchange, as applicable) applying at the time of the reconstruction. The reconstruction clauses of the Deed will apply with such modifications as are necessary to give effect to the applicable listing rules.

(k) **Covenants**

The following summarises covenants by the Company which are to be performed and observed from the date of the Deed and for so long as any Convertible Notes are on issue and have not been converted or redeemed:

- i. the Company will give the Noteholder:
 - (A) a copy of the Company's audited consolidated financial statements in respect of each financial year;
 - (B) a copy of the Company's reviewed consolidated financial statements in respect of each half-financial year; and

- (C) notice in writing of certain events promptly after an Obligor becomes aware of such event, including an event of default or any material litigation being commenced against an Obligor;
- ii. the Company will maintain not less than \$1,500,000 as cash or assets readily convertible to cash;
- iii. the Company (and each Obligor) will abide by the terms of the security granted to secure the Convertible Notes;
- iv. the Company will not declare or pay any dividends nor buy back any shares;
- v. the Company will not (and will ensure that each other Obligor will not) amend its constitution;
- vi. the Company will not (and will ensure that each other Obligor will not) dispose or transfer any of its assets, other than in ordinary course of trading;
- vii. the Company will not (and it shall ensure that each other Obligor will not) enter into any amalgamation, demerger or merger, or a consolidation or corporate reconstruction with or involving any other entity(ies);
- viii. the Company shall take out and maintain (and shall ensure that each other Obligor takes out and maintains) insurances with a reputable insurer in the manner and to the extent which is in accordance with prudent business practice having regard to the nature of the business and assets of the Company and its subsidiary;
- ix. the Company must not issue any shares at an issue price below ten cents (\$0.10) per share, other than upon exercise or conversion of an option or other convertible security issued before the date of the Deed, unless shareholder approval has been received for the issue of tranche 2 convertible notes, tranche 1 and tranche 2 Convertible Notes with a total issue price of at least \$8,000,000 have not been issued, and the total of the issue price of the shares issued (if less than 10 cents) multiplied by the number of shares issued does not exceed the amount calculated by deducting the total issue price of tranche 1 and tranche 2 Convertible Notes that have been issued from \$8,000,000.

The Deed also includes other covenants that would be expected to be found in a commercial document of that type.

The Company has also agreed with certain investors, as a condition of their subscription for Convertible Notes, to the appointment one eligible person to the Company's Board as a casual vacancy appointment, if those investors taken up their allocation of tranche 2 Convertible Notes and (collectively) elect to make the nomination.

(I) Events of Default

The following are examples of Events of Default under the Deed:

- i. An Obligor fails to pay when due any interest or other amount payable by it in respect of a Convertible Note, including redemption of all or part of the Convertible Notes pursuant to the terms of the Deed;
- ii. Failure to redeem then remaining Convertible Notes on the maturity date (unless a conversion notice for all the then remaining Convertible Notes has been given to the Company);
- iii. Failure to issue Shares in accordance with the terms of the Convertible Notes upon valid conversion of Convertible Notes;
- iv. An insolvency event occurring in relation to an Obligor;
- v. a person obtaining 50% or more voting power (as defined in section 610 of the Corporations Act) in the Company (unless such person already had such voting power at the date of the Deed);
- vi. an Obligor repudiating or stating an intention not to be bound by a transaction document;
- vii. the Company reducing its capital including by buying back shares, making a capital distribution,

- cancelling shares or capital for consideration or by distributing assets *in specie*; and
- viii. an Obligor (other than the Company) ceasing to be a wholly owned subsidiary of the Company.

The Deed also includes other events of default that would be expected to be found in a commercial document of that type.

A failure to obtain shareholder approval for the issue of tranche 2 Convertible Notes and the non-issue of tranche 2 Convertible Notes are not breaches of or defaults under the Deed.

If an event of default (other than an insolvency event) occurs, the Company will have 5 business days from the earlier of being aware of or receiving notice of default to remedy the default. If the default is not remedied within that timeframe, the Noteholder may at its election demand immediate redemption or conversion (at face value) of the Convertible Notes.

(m) **Prohibited issues**

The Company will not be obliged to issue Convertible Notes or shares to a Noteholder under the Deed which would result in the Noteholder holding a relevant interest in more than 20% of the issued voting shares of the Company, except to the extent permitted under section 611 of the Corporations Act.

(n) **Transferability**

The Convertible Notes will not be quoted but may be assigned or transferred in accordance with the terms of the Deed. Any transfer must be by written transfer instrument in any usual or common form and to a person who does not require a disclosure document in connection with the offer and issue of the shares under Chapter 6D of the Corporations Act, nor to whom it would be unlawful to make an offer to issue or transfer Convertible Notes.

[Name/Address 1]

[Name/Address 2]

[Name/Address 3]

[Name/Address 4]

[Name/Address 5]

[Name/Address 6]

GM Registration Card

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

[BARCODE]

Holder Number:

[HolderNumber]

Vote by Proxy: D13

Your proxy voting instruction must be received by **11.00am (Sydney time) on Wednesday, 16 May 2018** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

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

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

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



SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

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

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

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

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

CONTACT

Return your completed form:



BY MAIL

Automic Registry Services
PO Box 2226
Strawberry Hills NSW 2012



IN PERSON

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

Contact us – All enquiries to Automic:



WEBCHAT

<https://automic.com.au/>



EMAIL

hello@automic.com.au



PHONE

1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1: Please appoint a Proxy

Complete and return this form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the General Meeting of Department 13 International Ltd, to be held at **11.00am (Sydney time) on Friday, 18 May 2018** at **The offices of Boardroom, Level 12, 225 George Street, Sydney NSW 2000** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

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

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

STEP 2: Your Voting Direction

Resolutions

1. Ratification of prior Share issue

For

Against

Abstain

☐
☐
☐

2. Ratification of prior Convertible Note issue

☐
☐
☐

3. Approval of issue of Convertible Notes

☐
☐
☐

4. Approval of the Company acquiring a Relevant Interest in its own Shares as a result of entering into Escrow Deeds

☐
☐
☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3: Sign

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date ____/____/____

Email Address _____

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

[BARCODE]

[HolderNumber] D13