

3 November 2016

Ms Elizabeth Harris  
ASX Compliance Pty Ltd  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

Dear Ms Harris,

**DEPARTMENT 13 INTERNATIONAL LTD (the “Entity”)**

I refer to your letter dated 1 November 2016 relating to recent increases in trading volume and price in the Entity’s securities listed on ASX.

Firstly, the Entity notes that during the period 25 to 27 October 2016, the Entity was involved in presenting at the ASX hosted Spotlight Conference in both Hong Kong and Singapore, which enabled the Entity to present its story and increase awareness of the Entity and its products to new investors in each of those locations. Further, the ASX had advertised the presence of the Entity at the ASX Spotlight Conference in the weeks before, by inviting institutional investors in Hong Kong and Singapore to attend the conference.

In relation to each of the questions outlined in your letter, the Entity responds as follows:

25 October announcement

Announcement entitled “**New US Patent for sharing resources between wireless networks enhancing drone defense capabilities through efficient use of the radio spectrum**” (the “25 October Announcement”) lodged on the ASX Market Announcements Platform and released at 11.04am AEDT on Tuesday 25 October 2016 disclosing that the Entity, under its license agreement with GenghisComm Holdings, had been granted a licence with respect to US Patent 9473226 which relates to technology which allows sensors and devices to operate efficiently within the limited radio spectrum.

1. Yes. The Entity considers the information in the 25 October announcement to be information that a reasonable person would expect to have a material effect on the price or value of the securities.
2. Not applicable.
3. On Wednesday, 19 October 2016, Australian time, GenghisComm Holdings, the IP holding company with which the Entity has an exclusive license agreement, first became aware that the patent was granted. Between Thursday 20<sup>st</sup> October and Tuesday morning 25<sup>th</sup> October, the Entity confirmed the grant of the patent with GenghisComm, confirmed that the patent fell under the terms of the exclusive license between the Entity and GhengisComm and agreed a form of public release which was then immediately announced to the ASX on the next business open day in Australia.
4. In accordance with Guidance Note 8, information that falls within the prescribed categories in Listing Rule 3.1A.1 and that meets the confidentiality requirements in Listing Rule 3.1A.2 will satisfy the reasonable person test in Listing Rule 3.1A.3 and therefore Listing Rule 3.1 does not apply.

The grant of the patent and the Entity's ability to exploit the patent was insufficiently definite to warrant disclosure, as the grant of the patent is not definite until it is formally issued by the relevant regulatory organization and the Entity had not formed the view that any relevant information had ceased to be confidential.

1 November announcement

Announcement entitled "**New US Patent for power efficient radio transmission reduces cost of radio components while improving signal quality and battery life**" (the "1 November Announcement") lodged on the ASX Market Announcements Platform and released at 9:45am AEDT on Tuesday 1 November 2016 disclosing that the Entity, under its license agreement with GenghisComm Holdings, had been granted a licence with respect to US patent 9485063 which relates to technology involved with power-efficient broadband data transmissions.

5. Yes. The Entity considers the information in the 1 November announcement to be information that a reasonable person would expect to have a material effect on the price or value of the securities.

6. Not applicable

7. The Entity first became aware of the information included in 1 November Announcement on 31 October during United States business hours. The 1<sup>st</sup> November 2016, being the date of the announcement was the next ASX open day.

8. The Entity has made announcement on the first available ASX open session being 1 November 2016,

9. The Entity is in compliance with the Listing Rules and in particular, Listing Rule 3.1.

10. The Entity's response above has been authorised and approved by the Board to respond to ASX on disclosure matters.

Yours sincerely,



Jonathan Hunter  
Chairman and Chief Executive Officer



1 November 2016

Mr Kevin Kye  
Company Secretary  
Department 13 International Limited  
Suite 5  
531 Hay Street  
Subiaco WA 6008

By Email: [kkye@department13.com](mailto:kkye@department13.com)

Dear Mr Kye

**DEPARTMENT 13 INTERNATIONAL LIMITED (the "Entity"): ASX Aware Query**

ASX Limited ("ASX") refers to the following:

1. The Entity's announcement entitled "New US Patent for sharing resources between wireless networks enhancing drone defense capabilities through efficient use of the radio spectrum" (the "25 October Announcement") lodged on the ASX Market Announcements Platform and released at 11.04am AEDT on Tuesday 25 October 2016 disclosing that the Entity, under its license agreement with GenghisComm Holdings, had been granted a licence with respect to US Patent 9473226 which relates to technology which allows sensors and devices to operate efficiently within the limited radio spectrum.
2. The trading volumes on 20, 21, 24 and 25 October 2016, which were above the average trading volumes on days when the Entity's securities are traded.
3. The Entity's announcement entitled "New US Patent for power efficient radio transmission reduces cost of radio components while improving signal quality and battery life" (the "1 November Announcement") lodged on the ASX Market Announcements Platform and released at 9:45am AEDT on Tuesday 1 November 2016 disclosing that the Entity, under its license agreement with GenghisComm Holdings, had been granted a licence with respect to US patent 9485063 which relates to technology involved with power-efficient broadband data transmissions.
4. The change in the price of the Entity's securities from a closing price of \$0.14 on Tuesday 25 October 2016 to an intra day high of \$0.17 on Monday 31 October 2016, the day prior to the release of the 1 November Announcement.
5. The trading volumes on 28 and 31 October 2016, which were above the average trading volumes on days when the Entity's securities are traded.
6. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
7. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”*

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

8. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

5. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

*“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”*

Having regard to the above, ASX asks the Entity to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

#### *25 October Announcement*

1. Does the Entity consider the information in the 25 October Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.

3. If the answer to question 1 is “yes”, when did the Entity first become aware of the information in the 25 October Announcement?
4. If the answer to question 1 is “yes” and the Entity first became aware of the information in the 25 October Announcement before the release of the 25 October Announcement, did the Entity make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

#### *1 November Announcement*

5. Does the Entity consider the information in the 1 November Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is “no”, please advise the basis for that view.
7. If the answer to question 5 is “yes”, when did the Entity first become aware of the information in the 1 November Announcement?
8. If the answer to question 5 is “yes” and the Entity first became aware of the information in the 1 November Announcement before the release of the 1 November Announcement, did the Entity make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.
9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that the Entity’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **3:00pm AWST on Thursday 3 November 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [Elizabeth.Harris@asx.com.au](mailto:Elizabeth.Harris@asx.com.au) and copied to [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This

is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Entity's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

Elizabeth Harris  
**Principal Adviser, Listings Compliance (Perth)**  
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