

Department 13 Releases First Half 2017 Results

PERTH, WA and COLUMBIA, MD USA– Department 13 (ASX: D13 or “the Company”) is pleased to report highlights from its half year results for the six months ended 31 December 2016.

Highlights:

- Sub-contracted to provide R&D services and support to Parsons as part of its US\$245 million Indefinite Delivery Indefinite Quantity (IDIQ) five-year contract with U.S. Naval Research Laboratory.
- US\$400,000 contract awarded by PAR Government Systems Corporation to provide mobile applications to improve situational awareness and real time on field coordination for U.S. warfighter.
- Demonstrations with potential customers including the Australian Defence Force and other state and federal homeland security and law enforcement agencies in Australia
- Demonstrations to potential US DoD and Government Organizations including operational testing in Urban environment.
- Continued to work US DoD Research & Development (R&D) grant for advanced Counter UAS Capabilities.
- Successful validation of MESMER counter drone technology at ‘Black Dart’, the United States Department of Defense’s premier counter-drone testing and evaluation exercise.
- Granted two new U.S. patents to enable more power-efficient radio transmissions; and for sharing resources between wireless networks.
- Substantially oversubscribed private placement raising \$6.5 million.
- Funded through to sales with cash balance at 31 December 2016 of \$4.9 million.

Significant events after the period end:

- Commercial launch of the Company’s flagship MESMER Version 1.0 counter-drone product, ready for commercial and government sales.
- U.S. Department of Commerce clears MESMER for export from U.S. with EAR 99 classification enabling direct sales without needing an export license to all but five countries globally and confirms MESMER as a ‘Non-Jamming’ counter drone solution.
- Demonstration to commercial physical security company for implementation for commercial requirement of counter UAS.

Commenting on the Half Year, Jonathan Hunter, CEO of Department 13, said:

“The focus of the first half was advancing the Company’s counter drone solution MESMER through the final stages of development and validation, and culminated in the product’s commercial launch, achieved on time and within budget shortly after the period end.”

“We have invested substantial time, effort and resources into making MESMER the most advanced counter drone technology in the market and are now ramping up sales and marketing activities to capitalise on global interest in the solution.”

"The contracts won in the first half utilising our broader technology portfolio, combined with the strong initial interest received for our MESMER solution, give us confidence that our positive momentum will continue through the remainder of 2017."

Outlook

Department 13 is ramping up sales and marketing efforts of MESMER, both directly and through its global distribution network, in pursuit of near term revenue opportunities. With a number of commercial trials already underway with international tier one customers and several demonstration events scheduled in New Zealand, Singapore, Australia and the U.S., the Company is confident of converting its sales opportunities into revenue. Early Mesmer sales will complement the contracts awarded in during the first half for other technology areas, which are expected to generate revenue in the current half.

-Ends-

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About Department 13

Department 13 (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 is engaged with multiple counter UAS projects to provide strategic solutions for civil, military and commercial security requirements. D13 has 13 patents and 22 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 and sophisticated RF technology applications (radiometrics).

For more information about D13, please visit www.department13.com or follow us on Twitter (@D13ASX), LinkedIn and YouTube.

Forward Looking Statements

This press release may contain certain forward-looking statements which have not been based solely on historical facts but, rather, on Department 13's current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside the control of Department 13 and its directors, officers and advisors. This press release should be read in conjunction with Department 13's other periodic and continuous disclosure announcements including Department 13's Preliminary Final Report announcement lodged with the Australian Securities Exchange ("ASX") on 31 August 2016, Department 13's Annual Report lodged with ASX on 30 September 2016 and other announcements lodged by Department 13 with ASX. Department 13 undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such statements or to keep current any of the information provided. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgment of Department 13 and there is no guarantee that any of these estimates or projections will be achieved. Actual results will vary from the projections and such variations may be material. Department 13 has no obligation to tell recipients if it becomes aware of any inaccuracy in or omission from the information in this press release. This press release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Department 13's securities have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

28 February 2017

The Companies Announcements Office
The Australian Securities Exchange Limited
Sydney NSW

Appendix 4D – Half Year Report

1. Name of Entity Department 13 International Ltd
ABN 36 155 396 893

Half year ended 31 December 2016

Reporting period 1 July 2016 to 31 December 2016

Previous period 1 July 2015 to 31 December 2015

2. Results for announcement to the market

	31 December 2016 \$	31 December 2015 \$	% Change Up (Down)
2.1 Revenues from continuing operations	467,408	317,206	47%
2.2 Loss from continuing operations after tax attributable to members	(2,102,741)	(2,181,951)	(4%)
2.3 Net loss attributable to members	(2,102,741)	(2,181,951)	(4%)
2.4 Proposed dividends	Nil	Nil	
2.5 Not applicable			
2.6 Revenue increased in the period as the Company's nears completion and launch of the MESMER anti-drone solution.			

Although the net loss is similar in the two financial periods, the loss for the period ended 31 December 2016 contains the below significant items:

- Development cost of MESMER has been capitalised from 1 July 2016 onwards;
- Staff, professional and research costs have all increased in current period due to accelerated development of MESMER as the Company sought to launch the anti-drone solution commercially in early 2017;

- Office and occupancy expenses have increased following operations moving to a new office location;
- Advertising and market expenses have increases in the current period in anticipation of the MESMER launch.

The above increase in costs in the 2016 period have been offset in 2015 due to one-off costs incurred in listing on the Australian Stock Exchange as well as completing the reverse acquisition of Department 13 LLC.

This appendix 4D should be read in conjunction with the 31 December 2016 Interim Financial Report and any announcements made to the market in the period by the Company in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

	31 December 2016 \$	31 December 2015 \$	% Change Up (Down)
3. Net tangible asset (liability) per security	1.4 cent	1.4 cent	-
4. There were no entities for which control was gained or lost during the period.			
5. There were no payments of dividends during the reporting period.			
6. There is no dividend reinvestment plan in operation.			
7. There are no associates or joint venture entities.			
8. The Company is not a foreign entity.			
9. The accounts are not subject to any audit dispute or qualification.			

The Company's half year report follows.

Yours sincerely,



Jonathan Hunter

Chief Executive Officer

Department 13 International Ltd

28 February 2017



Department 13 International Ltd

ACN: 155 396 893

**Interim Consolidated Financial Report
for the Six Months Ended 31 December 2016**

Department 13 International Ltd
Interim Consolidated Financial Report
For the Six Months Ended 31 December 2016

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Corporate Information

Department 13 International Ltd

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Australia

Directors' Report

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Department 13 International Ltd (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Jonathan Hunter	Chairman, CEO
Kathleen Kiernan	Executive Director
Alvin Teller	Executive Director
Philip George	Non-Executive Director
Gavin Rezos	Non-Executive Director

Chief Executive Officer

Jonathan Hunter

Review of Operations and Financial Results

The net loss after tax for the six months to 31 December 2016 was \$2,102,741 (2015 loss: \$2,181,951).

Principal Activities and Strategy

The Group's core activity is drone defence, cyber security and RF software communications and networking. Department 13 LLC is based in Maryland, USA which has research and development contracts with multiple US Government agencies.

Recent Highlights

- Validation of company's technology and market demands by being finalist at MITRE Challenge and US DoD sponsored "Black Dart" event
- Awarded contract to deliver mobile application solutions to US warfighter;
- Engagement of strategic relationships with government organisations;
- A\$6 million Private Placement;
- Issues of new US patents;
- New offices and laboratories in key marketplace

MITRE Challenge

D13 was one of 8 finalists, from 42 applicants worldwide, to be selected for the MITRE Challenge. Moreover, D13 was selected as one of 2 finalists to present a mitigation system rather than a detection only option.

Directors' Report (Continued)

Presentation at Black Dart

Department 13 had demonstrated the Mesmer counter drone system at the U.S. Department of Defense (DoD) Black Dart event in September 2016. Black Dart is an invitation-only premier counter drone and evaluation exercise hosted by US DoD for technologies that detect, identify, track, and defeat or disable Unmanned Aerial Systems (UAS).

The selection by DoD validated Company's technology and reflects the seriousness with which US DoD is engaging with D13. The event was also a significant opportunity for Company to show off the capability of Mesmer to a wide range of interested parties in the DoD and other government agencies, of which the presale of commercial version 1 of Mesmer commenced in December 2016 and launched in January 2017.

Awarded US\$400,000 Contract

In November 2016, the Group was awarded a USD\$400,000 contract by PAR Government Systems Corporation (PAR Government) to provide a series of mobile applications that will be tested and evaluated by United States Department of Defense operational elements to improve situational awareness and combat coordination. In a compressed decision space, Department 13's mobile applications enable matchless situational awareness and mission command that brings speed and accuracy in critical real time on field decision making.

Parsons Partnership

The Group entered into a teaming agreement with Parsons on a 5 year multiple award, indefinite delivery/quantity contract by the Naval Research Laboratory Information Technology Division (NRL-ITD). Under this 5 year, multimillion dollar contract, Parsons and D13 will provide research and development and other engineering support to the NRL-ITD.

Parsons is an engineering, construction, technical and management services firm based in USA, founded in 1944 and had revenues of US\$3.2 billion in 2015.

D13 will utilize the following patented proprietary network communication technologies:

- Cooperative MIMO (Multi Input/Multi Output);
- Low probability of Intercept/Low Probability of Detection(LPI/LPD); and
- Sub Space Coding.

Private Placement

In late July 2016, the Group received commitments from new and existing shareholders to subscribe for 52 million new ordinary shares at an issue price of A\$0.125 per share to raise A\$6.5 million before costs.

The private placement was strongly supported by institutional investors and was well oversubscribed with the initial raise of A\$6 million being extended to A\$6.5 million to partially satisfy extra demand.

Proceeds have been used to accelerate commercial delivery Version 1 of MESMER-EX, prompted by demand from both government and commercial sectors in the US and abroad.

Directors' Report (Continued)

New US Patents

The Group has secured several new US patents for IP, representing a substantial IP licensing opportunity and competitive advantage for D13.

A new patent has been granted for sharing of wireless resources between networks used in counterdrone systems or any high bandwidth datalink (US Patent No. 9473226). This new technology enables more efficient use of the radio spectrum allowing different networks to concurrently use the same frequencies.

Another patent has been granted for innovative use of spreading codes for Orthogonal Frequency Division Multiplexing (OFDM) enabling more power efficient radio transmissions (US Patent No. 9485063).

D13 now has 13 granted patents and 22 patent applications in its IP portfolio

New Offices and Laboratories

The Group has finalised the lease for a new research and development (R&D) facility located at 7021 Columbia Gateway Drive, Columbia, Maryland, USA 21046. This facility is located in the Baltimore Washington Corridor, at the heart of the United States' 4th largest marketplace, positioned between Washington, D.C. and Baltimore.

This facility places the Group at the heart of the U.S. military, political and intelligence communities.

Significant Changes in State of Affairs

No other significant changes in the Group's state of affairs occurred during the financial period.

Matters Subsequent to Balance Date

Launch of Mesmer Version 1.0

In January 2017, the Group commercially launched its flagship counter-drone product, MESMER™ Version 1.0 ("MESMER"), a unique patented, low power, non-jamming, non-line of sight, non-kinetic drone mitigation solution, enabling an effective and safe method of protecting personnel and infrastructure from dangerous drones.

With customer demonstrations and trials of MESMER currently underway, the company has secured global distributor agreements to support the launch. Jonathan Hunter, CEO, said, "MESMER is designed to secure commercial, public or government airspace from the increasing threat of drones. It utilizes unrivalled protocol manipulation technology, enabling it to take control of drones and land them safely in a defined exclusion zone."

Having delivered MESMER on time and on budget, Department 13's focus is now to drive sales, both directly and through our partner channels, and to establish the product as the global market leader in counter-drone technology.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

Directors' Report (Continued)

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this financial statements because the directors believe it could potentially result in unreasonable prejudice to the Company.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

Dividends

No dividends were paid to members during the financial year (2015: \$Nil).

Indemnification of Officers

During the financial year the Company paid premiums in respect of a contract insuring Directors and Executives against a liability incurred in the ordinary course of business.

Proceedings on Behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the Board of Directors made pursuant to s306 (3)(a) of Corporations Act 2001.

On behalf of the Directors:



Jonathan Hunter
Chief Executive Officer
28 February 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Department 13 International Ltd for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink that reads 'G N SHERWOOD' with 'GNS' written to the right.

G N SHERWOOD
Partner

Sydney Australia
Dated: 28 February 2017

Department 13 International Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Ended 31 December 2016

	Notes	For the 6 Months Ending 31 December 2016 \$	For the 6 Months Ending 31 December 2015 \$
Revenue from continuing operations		467,408	317,206
Cost of goods sold		(137,136)	-
Gross profit		330,272	317,206
Consulting expenses		(259,310)	(701,128)
Depreciation expense		(45,437)	(2,006)
Amortisation expense		-	(288)
Cost of listing	3	-	(1,461,743)
Employee benefits expense		(735,461)	(19,531)
Office and occupancy expenses		(137,831)	(60,587)
General and administration expenses		(231,442)	(114,022)
License fees and patent expense		(30,478)	(14,534)
Advertising and marketing		(270,026)	-
Professional fees		(419,263)	(96,149)
Research expenses		(303,765)	(29,169)
Loss before income tax		(2,102,741)	(2,181,951)
Income tax expense		-	-
Loss for the period		(2,102,741)	(2,181,951)
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Exchange differences on translating foreign operations, net of tax		191,522	(74,427)
Total comprehensive loss for the period		(1,911,219)	(2,256,378)
Earnings per share			
<i>From continuing operations</i>			
- Basic/diluted earnings per share		(0.4588)	(0.0320)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Department 13 International Ltd
Consolidated Statement of Financial Position
As at 31 December 2016

	Notes	As at 31 December 2016 \$	As at 30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,947,137	2,513,371
Trade and other receivables		482,643	114,542
Inventory	4	90,013	-
Total Current Assets		5,519,793	2,627,913
Non-Current Assets			
Trade and other receivables		46,405	44,974
Internally developed software	5	1,406,645	-
Property, plant and equipment		342,552	132,049
Total Non-Current Assets		1,795,602	177,023
Total Assets		7,315,395	2,804,936
LIABILITIES			
Current Liabilities			
Trade and other payables		765,045	535,867
Total Current Liabilities		765,045	535,867
Total Liabilities		765,045	535,867
Net Assets		6,550,350	2,269,069
EQUITY			
Contributed equity	6	14,774,346	8,581,846
Other contributed equity		418,320	418,320
Reserves	7	260,553	69,031
Accumulated losses		(8,902,869)	(6,800,128)
Equity		6,550,350	2,269,069

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Department 13 International Ltd
Consolidated Statement of Changes in Equity
For the Six Months Ended 31 December 2016

		Contributed equity	Other contributed equity	Accumulated losses	Reserves	Total
	Notes	\$	\$	\$	\$	\$
2015						
At 1 July 2015		29,258	-	(40,324)	1,702	(9,364)
Loss for the period		-	-	(2,181,951)	-	(2,181,951)
Other comprehensive income		-	-	-	(74,427)	(74,427)
Total comprehensive loss		-	-	-	(74,427)	(2,256,378)
Shares issued in the period	6	7,902,588	-	-	-	7,902,588
Total transactions with owners		7,902,588	-	-	-	7,902,588
At 31 December 2015		7,931,846	-	(2,222,275)	(72,725)	5,636,846
2016						
At 1 July 2016		8,581,846	418,320	(6,800,128)	69,031	2,269,069
Loss for the period		-	-	(2,102,741)	-	(2,102,741)
Other comprehensive income		-	-	-	191,522	191,522
Total comprehensive loss		-	-	(2,102,741)	191,522	(1,911,219)
Shares issued in the period	6	6,580,000	-	-	-	6,580,000
Costs of capital raising		(387,500)	-	-	-	(387,500)
Total transactions with owners		6,192,500	-	-	-	6,192,500
At 31 December 2016		14,774,346	418,320	(8,902,869)	260,553	6,550,350

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Department 13 International Ltd
Consolidated Statement of Cash Flows
For the Six Months Ended 31 December 2016

	For the 6 Months Ending 31 December 2016 \$	For the 6 Months Ending 31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	192,246	211,665
Payments to suppliers and employees	(2,462,756)	(1,087,644)
Interest received	13,397	-
Net cash outflow from operating activities	(2,257,113)	(875,979)
Cash flows from investing activities		
Payments for plant and equipment	(241,778)	(18,427)
Payments for patents and development costs	(1,343,191)	(25,350)
Cash acquired on acquisition of subsidiary	-	4,562
Net cash outflow from investing activities	(1,584,969)	(39,215)
Cash flows from financing activities		
Proceeds from shares issued net of issue costs	6,112,500	6,640,000
Net cash inflow from financing activities	6,112,500	6,640,000
Net increase in cash and cash equivalents	2,270,418	5,724,806
Cash and cash equivalents at the beginning of the financial period	2,513,371	39,396
Foreign exchange adjustment to cash balance	163,348	(74,427)
Cash and cash equivalents at end of the period	4,947,137	5,689,775

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of Department 13 International Ltd (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Basis of preparation

These general purpose interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

Accounting policies

(a) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the half-year interim financial report, the Group incurred a loss after tax of \$2,102,741 and had net cash outflows from operating activities of \$2,257,113 for the half year ended 31 December 2016. As at that date the Group had net current assets of \$4,754,748, net assets of \$6,550,350 as well as cash and cash equivalents of \$4,947,137 as at 31 December 2016.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of \$4,947,137 as at 31 December 2016. As at that date the Group had net current assets of \$4,754,748 and net assets of \$6,550,350.
- The company announced on 20 February 2017 that had been informed by the U.S Department of Commerce Bureau of Industry and Security (BIS) that its flagship counter-drone product, MESMER, had been classified as EAR99 which designation allows MESMER to be exported from the United States without any BIS licence to all but a few restricted countries. The Board is confident this EAR99 designation will increase the ability to market its product globally and increase global sales in the next 12 months.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

- If required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of \$12.5million in the previous 18 months reporting period and the directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required;
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

(b) Reverse Acquisition Accounting

On 18 December 2015, Department 13 International Ltd (formerly Kunene Resources Limited, "D13 International") wholly acquired Department 13 LLC.

Under the accounting standard applicable to business acquisitions, AASB 3 *Business Combinations (FP)*, the acquisition does not meet the definition of a business combination as the net assets of D13 International at the date of acquisition did not represent a business. The transaction has therefore been accounted for as a reverse acquisition of D13 International by Department 13 LLC. The transaction has been accounted for by reference to AASB 2 *Share Based Payments* as a deemed issue of shares. Under this scenario, Department 13 LLC is deemed to be the acquirer and D13 International is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of Department 13 LLC from the date of acquisition.

The impact of the reverse acquisition on each of the primary statements is as follows:

- **Consolidated Statement of Financial Position:** the 31 December 2016 consolidated statement of financial position represents both D13 International (formerly Kunene Resources Limited) and Department 13 LLC.
- **Consolidated Statement of Profit or Loss and Other Comprehensive Income:** the 31 December 2016 statement of profit or loss and other comprehensive income comprises 6 months activities of Department 13 LLC and D13 International. The 31 December 2015 statement of profit or loss and other comprehensive income comprises 6 months of Department 13 LLC and D13 International activity from the acquisition date on 18 December 2015.
- **Consolidated Statement of Changes in Equity:** The 31 December 2016 statement of changes in equity comprises of 6 months activities of Department 13 LLC and D13 International and transactions with equity holders for the period. The 31 December 2015 statement of changes in equity comprises changes in equity for the 6 month period of Department 13 LLC and D13 International from the acquisition date on 18 December 2015 and transactions with equity holders for the period.
- **Consolidated Statement of Cash Flows:** The 31 December 2016 statement of cash flows comprises the cash transactions of Department 13 LLC and D13 International. The 31 December 2015 statement of cash flows comprises of 6 months of cash transactions for Department 13 LLC and D13 International from the acquisition date on 18 December 2015.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) *Functional currency*

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU\$)

The functional currency of Department 13 LLC is United States dollars (US\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(ii) *Presentation currency*

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rates are recognised in the Foreign Currency Translation Reserve.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

(f) Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

(j) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as 'impairment expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(m) Employee benefits

(i) *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

(ii) *Retirement benefit obligations*

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for US resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(n) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(o) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(p) Intangible assets

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Patents

Patents have a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 15 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(t) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

1 Summary of significant accounting policies (continued)

vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(u) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 31 December 2016. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

2 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group remained in a development phase during the period and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

License and patent expenses

There is a degree of judgement required in respect of the capitalisation of patent costs and the future commercial application thereof. The Directors had previously adopted a prudent approach and all patent and development costs incurred prior to 30 June 2016 have been expensed.

The Directors consider it appropriate to capitalise the Groups development costs in the current and future financial periods due to the ongoing commercialisation of the Groups technology from the 2017 financial year.

Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

3 Business combinations

On 18 December 2015, Department 13 International Ltd (formerly Kunene Resources Limited, "D13 International") wholly acquired Department 13 LLC. Details of this business combination were disclosed in note 4 of the Group's annual financial statements for the year ended 30 June 2016.

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

	As at 31 December 2016 \$	As at 30 June 2016 \$
4 Inventory		
Inventories consist of the following:		
Raw materials and consumables	57,031	-
Merchandise	32,982	-
	90,013	-

In the half year ended 31 December 2016, a total of \$72,082 (31 December 2015: \$nil) of inventories was included in profit and loss as an expense (2015: nil). No inventory was written down during the period.

	As at 31 December 2016 \$	As at 30 June 2016 \$
5 Internally developed software		
Capitalised software development costs	1,406,645	-
Balance beginning of financial period	-	-
Development costs capitalised during the period	1,406,645	-
Impairment expense	-	-
Balance at end of the financial period	1,406,645	-

Additions to internally developed software include capitalised development costs of MESMER. In addition, research costs of \$303,765 (31 December 2015: \$29,169) for the 6 months period ended 31 December 2016 were expensed to profit and loss.

6 Contributed equity

	As at 31 December 2016 No. of Shares	As at 31 December 2016 \$	As at 30 June 2016 No. of Shares	As at 30 June 2016 \$
Ordinary shares				
At the beginning of the period	415,503,500	8,581,846	38,903,500	29,258
Shares issued during the period	52,633,413	6,580,000	-	-
Issue of shares pursuant to public offer	-	-	60,000,000	6,000,000
Issue of shares as deemed consideration to acquire Department 13 International Ltd	-	-	251,600,000	2,262,588
Shares issued to advisors in Department 13 LLC transaction at fair value	-	-	65,000,000	650,000
Share issue expenses	-	(387,500)	-	(360,000)
	468,136,913	14,774,346	415,503,500	8,581,846

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

	As at 31 December 2016 \$	As at 30 June 2016 \$
7 Reserves		
Options reserve (a)	179,860	179,860
Foreign currency translation reserve (b)	80,693	(110,829)
	260,553	69,031
(a)Options reserve		
Balance beginning of financial period	179,860	-
Fair value of options issued during the period	-	179,860
Balance at end of the financial period	179,860	179,860
(b)Foreign currency translation reserve		
Balance beginning of financial period	(110,829)	1,702
Movement	191,522	(112,531)
Balance at end of the financial period	80,693	(110,829)

8 Segment information

The Group operates in one segment being technology development specialising in drone defence, cyber security and RF software communications and networking. Department 13 LLC is based in Maryland, USA.

The following tables present certain asset and liability information regarding geographical segments for the half years ended 31 December 2016 and 31 December 2015.

Segment performance

	Australia		USA		Total	
	December 2016 \$	December 2015 \$	December 2016 \$	December 2015 \$	December 2016 \$	December 2015 \$
External sales	3,781	-	463,627	317,206	467,408	317,206
Total segment revenue	3,781	-	463,627	317,206	467,408	317,206
Segment operating result	(314,172)	(117,730)	(1,743,132)	(2,061,927)	(2,057,304)	(2,179,657)
EBITDA	(314,172)	(117,730)	(1,743,132)	(2,061,927)	(2,057,304)	(2,179,657)
Depreciation	-	-	(45,437)	(2,294)	(45,437)	(2,294)
Loss before income tax expense	(314,172)	(117,730)	(1,788,569)	(2,064,221)	(2,102,741)	(2,181,951)
Income tax expense	-	-	-	-	-	-
Loss after income tax expense	(314,172)	(117,730)	(1,788,569)	(2,064,221)	(2,102,741)	(2,181,951)

Assets and liabilities

	December 2016 \$	June 2016 \$	December 2016 \$	June 2016 \$	December 2016 \$	June 2016 \$
Segment assets	680,270	391,101	6,635,125	2,413,835	7,315,395	2,804,936
Segment liabilities	117,631	206,791	647,414	329,076	765,045	535,867

Department 13 International Ltd
Notes to the Financial Statements
For the Six Months Ended 31 December 2016

9 Events occurring after the balance sheet date

Launch of Mesmer Version 1.0

In January 2017, the Group commercially launched its flagship counter-drone product, MESMER™ Version 1.0 ("MESMER"), a unique patented, low power, non-jamming, non-line of sight, non-kinetic drone mitigation solution, enabling an effective and safe method of protecting personnel and infrastructure from dangerous drones.

With customer demonstrations and trials of MESMER currently underway, the company has secured global distributor agreements to support the launch. Jonathan Hunter, CEO, said, "MESMER is designed to secure commercial, public or government airspace from the increasing threat of drones. It utilizes unrivalled protocol manipulation technology, enabling it to take control of drones and land them safely in a defined exclusion zone.

Having delivered MESMER on time and on budget, Department 13's focus is now to drive sales, both directly and through our partner channels, and to establish the product as the global market leader in counter-drone technology.

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

10 Share based payments

During the six months to 31 December 2016, the following transactions were equity settled by the Group:

Date	Description	No of Securities	Total \$
04/08/2016	Issue of ordinary shares to brokers for advisory services	633,413 Ord shares	80,000

Department 13 International Ltd
Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date;
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that Department 13 International Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.


Jonathan Hunter
Chief Executive Officer
28 February 2017

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www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****DEPARTMENT 13 INTERNATIONAL LTD****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Department 13 International Ltd which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Department 13 International Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Department 13 International Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Department 13 International Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS


G N Sherwood
Partner

Sydney Australia
Dated: 28 February 2017