

Department 13 Raises \$5.5m to Accelerate Sales Strategy Capital Reduction Reduces Issued Capital by 32% Post Placement

HIGHLIGHTS:

- **A\$5.5m raised in well oversubscribed private placement**
- **Cancellation of all Performance Shares, reduces issued capital by 32% post Placement**
- **High quality US and Asian institutional investors join the register**
- **Proceeds enable build-up of hardware components inventory for MESMER™ counter drone systems to meet growing sales demand**
- **Appointment of Mr Tim Davies as Non-Executive Director**

PERTH, WA AND COLUMBIA, MARYLAND: DEPARTMENT 13 INTERNATIONAL LTD (ASX : D13) (“Department 13”, “D13” or “the Company”) is pleased to announce that it has received firm commitments from new and existing shareholders to subscribe for 44,350,321 million new ordinary shares at an issue price of \$0.125 per share to raise A\$5,543,790 million before costs (“the Placement”). The Placement was strongly supported by institutional investors particularly out of the US and Asia and was well oversubscribed, with the initial raise of \$4.5m being extended to \$5.5m, to partially satisfy extra demand.

The Placement Shares will be issued under the Company’s 15% and extended 10% placement capacity under Australian Stock Exchange Listing Rule 7.1.

Proceeds from the Placement will be used for working capital to buildup inventory of hardware components supporting the software for Mesmer™ counter drone systems and meet customer demand for Version 1.0.

In addition, Department 13 has agreed to cancel 284 million separate class of performance shares, representing approximately 32% of the current issued capital of the 888 million shares, performance rights and options, which includes the Placement. The Company intends to seek a waiver from ASX from Listing Rule 9.7 to the extent necessary to permit the Company to amend the various restriction agreement between the Company and the holders of Performance Shares such that the Company be permitted to cancel the 284 million Performance Shares issued as part of the acquisition of Department 13 LLC (refer to Prospectus lodged with the ASX on 19 November 2015). The procedure for cancellation will commence following completion of the Placement, shareholder approvals will be sought to cancel the Performance Shares and reduce the issued capital.

The simplified capital structure, reduced shares and share classes (on issue) will benefit existing common shareholders, enable the Company to attract additional institutional investment, as well as prepare for a future potential domestic listing on a US securities exchange.

The cancellation of the Performance Shares will occur in accordance with section 256C of the Corporations Act, which in these circumstances requires:

- a special resolution to be passed at a general meeting of the Company; and
- a special resolution to be passed at a special meeting of the holders of the Performance Shares.

Subject to the necessary shareholder approvals being obtained, the Performance Shares will then be cancelled for nil consideration.

Commenting on the Placement, Department 13 Chairman and CEO Jonathan Hunter commented:

"The commitment to our company and products can be seen in both the overwhelming support for the current raise and the cancellation of the performance shares. This capital raise will allow us to execute our sales strategy, meet customer demand for Mesmer™ and monetize our expanding patent portfolio. We are also delighted to welcome some high quality institutional investors onto the register from both the US and Asia. Their deep understanding of the counter drone market and Department 13's intellectual property portfolio as it relates to lucrative commercial markets, makes them valuable partners, who see strong potential in our products, our patented position, market opportunity and future revenue growth."

The Company is pleased to welcome Tim Davies to the Board of Directors as a Non-Executive Director. Tim is an experienced Chief Executive Officer with a demonstrated history of working in the global finance and investment industry. Tim has worked for high profile groups including Goldman Sachs and Consolidated Press Holdings. Tim was Chief Investment Officer for Caledonia Asia from 2010 to 2012 and prior to that role, he established the China office of Ellerston Capital as Senior Portfolio Manager of China Investments

Highlights from the Corporate Commentary Released on 1st May 2017

- Revenues in March 2017 Quarter up 227% from the December 2016 Quarter.
- MESMER™ licensed to US partner Booz Allen Hamilton Inc, a noted US Department of Defense prime contractor and systems integrator for use in demonstrations to US Navy and Marine Corps.
- Successful live demonstrations of MESMER™ held in Australia and New Zealand to government, military and law enforcement agencies, which led to sales post period end to EPE, our Australian distributor, as an initial order with expected further sales following the installation.
- MESMER™ V1.0 hardware and first year software licenses range from US\$275,000 per unit (depending upon configuration and enhanced capabilities) with recurring annual license fees.
- US Department of Commerce cleared MESMER™ for export outside of the US with an EAR99 classification, making MESMER™ the only counter drone solution with a US export license.
- Presented at key industry events APEX 2017, Starburst Accelerator and Milipol Asia-Pacific 2017.
- Requests for live demonstrations received from potential customers representing law enforcement, defence, and civilian security across the globe.
- Continued work under our existing contracts with the US DoD and PAR Government Systems.
- Expanded our IP portfolio furthering our market leadership position. D13 now holds 14 U.S. granted patents, with 23 patents pending.
- U.S. Patent granted for "Spreading and Precoding in OFDM" technology which enables significant battery saving for radio transmitters including mobile phones.

For more information, contact

Jonathan Hunter
Chairman and CEO
Department 13
+1 703 597 6574
Jonathan@department13.com

Investor relations:
Mark Wise
Department 13
+1 914 261 5574
mwise@department13.com

Media and Investor Enquiries:

Australian Media:
Jon Snowball
FTI Consulting
+61 2 8298 6100 or +61 477 946 068
jon.snowball@fticonsulting.com

US Media:
Laura Radocaj
DGI
+1 212 825 3210
lradocaj@dgi-comm.com

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's MESMER® Counter Drone System is 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. D13 has 14 patents and 23 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.