

## Department 13 2017 Annual General Meeting Chairman's Address

---

Dear Shareholders,

As Chairman and CEO of Department 13, it gives me great pleasure to update you at this year's AGM, following a period of transformational growth for the Company.

Before turning to look to the future, I would like to recognize the achievements of Department 13 over the past 12 months that we believe have placed us in a strong position to succeed over 2018.

During the 2017 financial year, your company advanced from being solely an R&D Company to successfully commercializing our first core IP product MESMER™. We have also established a global distribution network through appointing six key distributors to sell MESMER™ into Asia, South America, Australia, India and Europe. Finally, we have built an integrated supply chain to deliver MESMER™ internationally to customers seeking to address the significant threats posed by drones.

MESMER™ is a Counter drone technology solution consisting of hardware and software that can Detect, Identify, and Take control of Unwanted Drones within a 4km radius. By taking control of the drone MESMER™ can either (1) Send the drone home (2) Send the drone to a safe zone or (3) Land the drone immediately.

During the year, your Company executed on numerous milestones that have culminated in the establishment of a business fully capable of facilitating the growing global demand for drone mitigation through implementing the MESMER™ counter drone solution. The milestones over 2017 year include:

- The granting of an EAR99 classification from the US Department of Commerce, allowing the exportation of MESMER™ to all but five countries globally. The classification also recognizes that MESMER™ is a non-jamming device, differentiating it from the bulk of competing counter-drone products.
- The development and launch of MESMER™ 1.0 in January 2017, which was subsequently upgraded to MESMER™ 1.5 in August 2017 with substantially increased range out to 4km and greater functionality to meet the specific demands of MESMER™ customers.
- Successful trials at both the MITRE challenge and Black Dart
- Expansion of our distribution channels with the appointment of four additional distributors during the year
- Establishing a partnership with Core Source Technologies to manufacture MESMER™
- The granting of numerous Patents to protect our intellectual property portfolio, including:
  - Coding technology which reduces power consumption and costs of radio transmitters
  - Intrusion detection and radio fingerprint tracking
  - Sharing resources between wireless networks

Also during the year your Company;

- Raised an aggregate of \$11m via new share issuances to continue to fund the development of MESMER™ into a commercial product
- Cancelled 284 million performance shares or 32% of the diluted capital of the business
- Appointed Tim Davies as Non-Executive Director

Since the end of the 2017 financial year, Department 13 has continued to progress in the areas outlined above, including;

- The sale of seven MESMER™ 1.5 units into three different markets namely, Defense, Federal Prison Systems and Commercial markets across Asia Pacific and Latin America

- Expansion of distribution network to include India based Shastra Corporation. D13's distribution network now encompasses seven regions demonstrating a truly global sales footprint
- Additional patents have also been granted, covering:
  - Cellular and beyond line of site drone networks
  - Scheduling resources in cloud networks
  - Power efficient radio transmissions
  - Airborne Radio and 5G Networks, allowing drones to operate as cell towers
  - The improvement of power efficiency in 5G systems

With respect to company and capital structure, since the end of 2017 financial year we have achieved;

- Subject to obtaining necessary regulatory approvals, the 12-month extension of Board and Management shareholding escrow agreements, signaling the long-term commitment to the Company's overall success, and
- The appointment of Sundeep Patel as Company CFO

## Outlook

We look forward to the year ahead, having already achieved a great deal thus far in FY18. The Company's core focus is on converting leads to orders for MESMER™ and driving material growth in top line revenue, which will ultimately drive continued positive operating cashflow and profitability.

In the year ahead, shareholders can expect:

- **Further sales of MESMER™** - we are currently in negotiation to sell further units and expect results on this front before the end of the Calendar Year. In addition, with demonstrations across the globe booked out until February next year we are confident that there will be further ramp up in sales in the second half.
- **Software Licensing** - we are now looking at opportunities to license our Software to major defense force contract providers, which is expected and expect to make progress on this front this financial year.
- **Working Capital Funding** - for the anticipated growth, it is important that we establish an adequate working capital facility. We have been reviewing several options that will significantly strengthen our balance sheet, and are confident that this will be finalized before the end of December 2017. Funds will be predominately used to build out inventory in advance of expected sales and to enable us to invest in demonstration stock which will be located with distributors throughout the world and which is currently a bottleneck for achieving quicker sales.
- **Strengthening of IP** - we will continue to explore ways in which to monetize our broader Intellectual Property portfolio and are looking at additional opportunities outside of counter drone solutions.
- **Corporate Governance** – we will continue to strengthen our Board to reflect the evolution of the Company.

I'd like to take this opportunity to thank the Department 13 Management Team and fellow Board members for their efforts, support and valuable council throughout the year. I would also like to take this opportunity to acknowledge and thank you, the shareholders, for your continued support and confidence in Department 13.

We remain very excited about our ability to generate significant value for our customers, across a vast range of industries and regions, which in turn will translate into substantial value in our Company.

Sincerely,

**Jonathan Hunter**  
Chairman & CEO

-ENDS-

**For more information, contact**

Jonathan Hunter  
Chairman and CEO  
Department 13  
+1 703 597 6574  
[Jonathan@department13.com](mailto:Jonathan@department13.com)

Investor relations  
Mark Wise  
Department 13  
+1 914 261 5574  
[mwise@department13.com](mailto:mwise@department13.com)

US Media:  
Laura Radocaj  
DGI  
+1 212 825 3210  
[lradocaj@dgicomm.com](mailto:lradocaj@dgicomm.com)

**About Department 13**

Based in Maryland, Department 13 (D13) was founded 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 19 patents and 29 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](http://www.department13.com) or follow us on Twitter (@D13ASX), LinkedIn and YouTube.