

29 November 2017

Attention: Ms Elizabeth Harris

ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

By email: Elizabeth.harris@asx.com.au

Dear Ms Harris,

**DEPARTMENT 13 INTERNATIONAL LTD ("Company")
APPENDIX 4C QUERY**

I refer to your letter dated 24 November 2017 in relation to the Company's Appendix 4C quarterly report for the period ended 30 September 2017 lodged with ASX Market Announcement Platform and released on 31 October 2017 (the "Appendix 4C").

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

1. The Company expects that its operating cash flows will fluctuate based on sales activity. Whilst operating cash flow was negative in quarter, it was positive in the month of October. The Company's operating cash flow is dependent on a number of factors including, but not limited to, inventory buildup in advance of sales, the number of units sold in any period and what percentage of any purchase orders have upfront deposits. As the Company continues to build up its inventory in advance of sales it is expected to have an adverse effect on operating cash flow in the short term, and subsequently the Company may have negative operating cashflow if sales are minimal.
2. As announced on 16 November 2017, the Company is in the final stages of negotiating its financing options in the expectation that the Company will then be able to position itself for substantial and sustainable growth in the medium term and intends to have this in place before the end of the 2017 calendar year. The Company has and is considering a number of options and is in advanced negotiations on this front. The Company believes it will be successful and will advise the market when appropriate.
3. The Company expects to be able to continue its operations and to meet its business objectives on the basis of receipt of cash from customers and financing options currently being negotiated and expects this will be in place before the end of the calendar year end 2017.
4. The Company believes that it is in compliance with ASX Listing Rule 3.1 and there is no information that should be given to the ASX about its financial condition that has not already been released to the market.
5. The Company confirms that the Company's responses to the questions above have been authorised and approved by the Company's Chief Executive Officer and Chairman of the Company who has been delegated authority from the Board to respond to the ASX on the disclosure matters.

Department 13 International Limited
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The Company's financial condition is adequate to warrant continued quotation of its securities and its continued listing as required by Listing Rule 12.2. The Company forms an opinion that the Company is able to continue its operations on the basis of receipt of cash from the sale of its products and the belief that it will be able to raise additional funding as and when required.

Yours sincerely,



Kevin Kye
Company Secretary



24 November 2017

Mr Kevin Kye
Company Secretary
Department 13 International Ltd
Level 4, 16 Milligan Street
PERTH WA 6000

By email: kkye@department13.com

Dear Mr Kye

Department 13 International Ltd ("Company"): Appendix 4C Query

I refer to the Company's Appendix 4C quarterly report for the period ended 30 September 2017 lodged with ASX Market Announcements Platform and released on 31 October 2017 (the "Appendix 4C").

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$3,566,000
- cash at the end of the quarter of \$1,260,000;
- estimated cash outflows for the next quarter of \$2,525,000; and
- cash at the end of October and trade receivables over \$2,500,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Company were to continue to expend cash at the rate indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Company 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:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that the Company'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 Company with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

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 no later than **3pm WST on Wednesday 29 November 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company'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 Company'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. 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 Rule 3.1

Listing Rule 3.1 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. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company'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 Company'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 Company's securities under Listing Rule 17.1.

If you wish 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)

P: (08) 9224 0011

E: Elizabeth.Harris@asx.com.au