

## March 2018 Trading Update

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### Highlights

- **Repeat sales from existing customers and new customer sales are expected in second half FY'18**
- **D13 participated in the DARPA program – which demonstrated the strength of MESMER™ by taking over and safely landing a large swarm of drones**
- **Trials with US Department of Defence (DoD) and International Corporate and Government Defence entities are expected to result in further MESMER™ sales this calendar year**
- **D13 expects the current suspension to end this week**

**PERTH, WA and COLUMBIA, MD USA – DEPARTMENT 13 INTERNATIONAL LTD (ASX: D13)** (“Department 13”, “D13” or “the Company”) a cutting-edge developer of counter drone technology, is pleased to provide a trading update to our shareholders, explaining our recent suspension, detailing recent achievements of the Company and providing an outlook for the near and long-term growth of D13.

Over the past 4 months since our last sales update, D13 has made substantial progress in both scaling up our business and building an increasing pipeline of sales opportunities. Recent highlights include our investment in additional sales and operational staff, the production of MESMER™ demonstration units that will allow our global distribution partners to conduct their own trials and further progress on executing on a number of significant opportunities for the MESMER™ product.

### Capital Raising & End of Suspension

D13 is currently finalizing the issue of a prospectus for its recently announced convertible note issue, and expects to be reinstated to official ASX quotation once the prospectus is released to the market and convertible notes are issued this week. This is consistent with our recently announced timetable.

Due to an unforeseen delay in completing necessary paperwork and the subsequent requirement to issue a prospectus for this convertible note issue, D13 felt it was in the best interests of shareholders to suspend the stock whilst it completed the raising.

### Existing Customers

D13 has sold a total of 9 MESMER™ units in H1'18, across 3 geographies (Australia, SE Asia and Latin America) and 3 industries (Defense, Critical Infrastructure and Prisons). The performance of these MESMER™ units is providing a positive reference of our strong technological capabilities to potential customers looking to purchase MESMER™ units.

Existing customers who have purchased MESMER™ units have provided us with positive feedback on their experience with our technology. Feedback from our distribution partners is that MESMER™ is exceeding customers' expectations and **D13 expects many of our existing customers to order additional MESMER™ units in H2'18**, further strengthening our position as the leading provider of counter-drone solutions across a broad range of industries.

### Potential New Customers

Our sales team continues to deliver an unprecedented number of trials and demonstrations for clients throughout FY18. We also continue to receive interest from new customers, both directly to D13 and through our global distribution network.

Over the last 4 months we have conducted trials (some of which have been paid for) and demonstrations in the US, Latin America and Middle East. These trials have been completed in real-time, real-world scenarios and have yielded impressive results, for potential customers across the following industries:

- Airport Operators,
- Energy Sector Operators,
- Global Security firms,
- Sporting Venues, and
- Entertainment Companies including Concert Promoters

Some of our larger recent and upcoming trials and demonstrations include:

- **DARPA:** D13 recently participated in US Defense Advanced Research Projects Agency (DARPA) Mobile Force Protection (MFP) program Phase 1 demonstrations alongside **Saab Defense and Security**. During the 10-day demonstration, MESMER™ successfully detected, identified, and mitigated multiple small unmanned aerial systems, including a large swarm of unmanned aerial systems.
- **U5G with United States Marine Corps (USMC) at Camp Pendleton:** Advanced Naval Technology Exercise (ANTX) – 2018 Urban 5th Generation Marine (U5G) Exploration and Experimentation Exercise. D13 has been invited to the exercise organized by the US Marine Corps Deputy Commandant for Combat Development and Integration. The event is being held over the next 4 days in San Diego, California at Camp Pendleton Marine Corps Base and focuses on evaluating new technologies for deployment by the US Marines Corp.
- **DoD Naval Air Weapons Station, China Lake:** Naval Facilities Engineering Command (NAVFAC) is responsible for public works, planning, engineering and construction for military buildings, air fields and hospitals for the Navy, Marine Corps and other Federal Agencies. D13 has been invited to the trials which will be conducted at the end of this month.
- **SOFWERX ThunderDrone RPE II:** Out of the 91 companies who participated in the SOFWERX Tech Expo in January 2018, D13 is one of the 34 companies invited back to demonstrate their advanced Counter-Unmanned Aerial System (C-UAS) capabilities at Fort Bragg from 9 – 21 April 2018. D13 will present to nearly 280 senior government staff.
- **Black DART:** D13 is engaged in the formal planning for Black DART 2018, the US DoD premier C-UAS event. The event is scheduled for September 2018.

### Raytheon

- D13's Teaming Agreement with Raytheon (NYSE:RTN) has had a substantial impact on the scope and size of individual sales opportunities, providing access to large multinational private and public organizations, as well as significantly increasing the Company's capacity to facilitate orders of substantial unit volumes.
- D13 and Raytheon are pursuing several joint opportunities with proposals expected to lead to additional trials over the coming months.

## Distribution

MESMER™ is now directly represented by channel partners in seven regions globally, with additions made in Japan and India over the last 3 months.

- D13 is continuing to expand its distribution channel partnerships with agreements to cover the Middle East, South Korea, Vietnam, Africa and several Asian based countries in varying stages of discussion. We hope to announce new distribution partnerships over the remainder of 2018.



## R&D & Legislation

- D13 has completed software update v1.4 which added an additional 4 communication protocols to the drone library, updates for multi-node operations of two or more MESMER™ units and enhancements to administrator controls.
- As a result of ongoing trials across multiple branches of the US DoD, D13 are looking to expand MESMER™'s integration capabilities to include identification, mapping, sensing and hard kill technologies. This will provide a complete solution platform for the more complex defense orientated scenarios required by government defence agencies across the world.
- D13 continues to investigate commercial partnerships for the development of mobile, backpack and air-borne solutions for its MESMER™ software. The current open API architecture of MESMER™ software offers a quick solution to integrate with existing hardware platforms
- D13 anticipates near-term progress in both US and International legislation that will allow the use of C-UAS systems to increase public safety, protection of critical infrastructure and further enhance law enforcement capabilities. In the US, language surrounding amendments to both the US National Defense Authorization Act and the Federal Aviation Administration Bill leads D13 to believe that C-UAS systems will soon be permitted as a viable form of protection against unmanned aircraft systems.

## Outlook

Department 13 CEO, Jonathan Hunter, commented: *"I am excited to provide our shareholders with a detailed update on the immense progress Department 13 has made in building a platform that is able to facilitate orders for MESMER™ on a truly global scale.*

*D13 is well advanced in transitioning to a full scale sales operation, completing sales, training and delivery of MESMER™ units to customers across three continents (Australia, SE Asia and Latin America).*

*With the proposed Convertible Note capital raising, our marketing efforts and sales capacity will be enhanced through;*

- *An expansion of our sales, marketing and operational teams, and*
- *A significant investment in the construction of MESMER™ demonstration units. 5 units will be available to sell in early April, with the intent that distributors purchase their own units so that they are then in a position to conduct their own demonstration trials with clients within their region. D13 believes this is a critical step that will deliver an acceleration in our sales from our global distribution network.*

*In addition, to sales this half from existing and new clients, D13 anticipates several project opportunities transitioning from initial demonstration to evaluation and pilot trials before the balance of 2018. Each sale delivers substantial revenue generation which was evident in D13 achieving its first cash flow positive quarter in Q2'FY18, on the back of a relatively small number of orders in comparison to its current pipeline.*

*We thank our shareholders for their ongoing support, particularly over the past few weeks whilst our company has been suspended from trading on the ASX. The team at D13 will continue to strive to deliver further sales growth for the balance of FY'18 and beyond."*

-ENDS-

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## **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 23 patents and 35 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.