

Activities Update & March Quarterly Cashflow

PERTH, WA and COLUMBIA, MD USA – DEPARTMENT 13 INTERNATIONAL LTD (ASX: D13) (“Department 13”, “D13” or “the Company”) is pleased to provide an update on activities and cash flows for the period ended March 2018.

The March quarter saw strong progress in the D13 business, with highlights including:

- Announcement of D13s teaming agreement with Raytheon
- Multiple demonstrations of MESMER™ conducted to large potential customers
- US legislative proposal to allow the Department of Justice and Department of Homeland Security to use counter drone technology
- Completion of Tranche 1 of Convertible Note capital raise
- The acquisition of the Carrier Interferometry (CI) Patent Portfolio
- The appointment of Steve Shattil as an executive director to the D13 board

Trading

D13 recorded receipts from customers of \$0.5m in the quarter, reflecting final payments from MESMER™ units sold in the previous quarter and paid for trials. Operating costs remain in line with previous quarters.

Implemented and operating MESMER™ units are now serving as strong references to prospective customers, with feedback from current users overwhelmingly positive.

While D13 did not complete any MESMER™ unit sales in the quarter it is confident of sales in the future. D13 currently has requests for quotes in the market across multiple jurisdictions and industries. The Company remains confident that sales will materialize, and notes decisions upon purchasing MESMER™ typically require multiple approvals from various levels of authority within both private and public institutions.

In addition to the requests for quotes, the sales pipeline for MESMER™ continues to grow, which is the result of a combination of inbound inquiry, opportunities funneled through regional distribution partnerships and D13s demonstrations conducted with the support of Raytheon (NYSE:RTN) and other tier-1 defense contractors.

Trials have been conducted across multiple geographies and industries. This push is now being accelerated with the implementation of additional sales staff and access to newly manufactured MESMER™ demonstration units, which has only been made possible following the recent Convertible Note raise (see below).

In conjunction with Raytheon and other tier-1 contractors, D13 continues to drive larger potential sales leads with global military and security organisations. D13 has successfully undertaken the following trials during the quarter:

- **DARPA Mobile Force Protect Program** – demonstration completed, taking down 13 drones simultaneously, witnessed by the US DoD
- **U5G United States Marine Corps** – successfully integrated into the tactical communications, allowing MESMER™ to provide oversight while marines conducted training operations. MESMER™ took down multiple drones at night (line of sight, i.e. drone guns, are unable to do this).

- **Department of Defence China Lake** – was successful in mitigating drones within the D13 library
- **SOFWERX ThunderDrone** – was successful in the Phase II trials, with 280 Government Officials in attendance. D13 believes it is likely to be invited back to the Phase III trials, which will take place in June 2018.

In addition to these trials D13 has had successful trials and engagement with:

- **South Korea** – undertook a two-day exclusive trial in South Korea which was covered by national media and was the largest ever counter-UAS trial in the country. More than 200 Government officials were in attendance, from military, law enforcement and critical infrastructure, including nuclear power plants.
- **Middle East Countries** – Significant engagement with multiple countries post recent drone attacks on key infrastructure, which has resulted in requests for immediate trials
- **Australia** – Multiple meetings with Australian Government officials including meetings with Minister of Defence Christopher Pyne and State Minister Cameron Dick to discuss counter-UAS within Australia and potential opportunities for D13 within this market.
- **New Zealand** – Engagement with military, government, civilian aviation and navy following substantial known drone incursions.

Legislation

The US Government have made substantial progress in counter drone legislation. The *Safeguarding America's Skies Act* Bill, put forward by Congresswoman Hartzler would confer the Department of Justice and Department of Homeland Security the ability to protect US citizens, infrastructure and commerce from threatening drones once approved. This authority has already been granted to the Department of Defense and Department of Energy through the *National Defense Authorization Act*. D13 has an open dialogue with representatives of both of these branches of the US Government.

D13 continues to be actively involved in working with legislators to navigate and effect change in legislation to allow adoption and implementation of non-jamming, non-kinetic counter-UAS technology.

Capital Structure

With the completion of the \$7m Tranche 1 Convertible Note fundraising in late March 2018 and the expected \$5m Tranche 2 Convertible Note to be raised post the upcoming EGM, D13 will have sufficient funding for the next 12-months based on budgets.

Patents

The strategic acquisition during the quarter of the Carrier Interferometry ("CI") patent portfolio provides substantial value to the Company's broader intellectual property strategy, which not only encompasses counter-UAS but future communications networking and cyber security technologies.

Post the acquisition of the CI Portfolio, D13 is pursuing licensing opportunities in both the counter-UAS and other markets, such as communications networking and cyber security, which will create additional revenue streams in the future.

Reflective of the substantial nature of these opportunities the Company was pleased to appoint Steve Shattil to the Board, the universally renowned inventor of key technologies for 21st century communications networking technologies.

Outlook

Department 13 CEO, Jonathan Hunter, commented: *"I am very proud of the achievements of the team in the last 2 years since listing. We have taken an idea and transformed it into a commercialised product, with substantial patents that protect our company and our shareholders. We have an enduring competitive advantage and remain the only C-UAS*

technology utilizing protocol manipulation, as opposed to jamming which remains illegal outside of war zones. We have created a global distribution network and are engaged with Government and Commercial operators that are all facing the same issue of unprecedented drone threats.

With a substantial number of requests for quotes and a strong pipeline the Company is in a very positive position. D13 expects the requests for quotes to materialize into orders and expects to improve on its current position this calendar year.

We want to continue to thank all of our key stakeholders for their on-going support as we are very confident the strategies that we have implemented will result in long-term success for D13.”

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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 45 patents issued and 37 patents pending 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.