

## \$10M Line of Credit & Update

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**SYDNEY, NSW and COLUMBIA, MD USA** – Department 13 International Limited (ASX:D13) is pleased to announce a new funding facility and provide an update on the progress of the business.

### Line of Credit (“Facility”)

The Company is pleased to advise that it has secured a Line of Credit (“Facility”) of up to \$10m. The Facility will enable the Company to fund its on-going operations for the foreseeable future.

This Facility will provide D13 with the necessary capital to further commercialise and leverage its existing IP, software and products. The Facility has been structured as a rolling facility, enabling D13 to draw down and repay (without penalties) at any time. In addition, interest is only payable on drawn funds and all fees are only payable at Maturity.

The total Facility is in three tranches of \$2m, \$3m and \$5m respectively.

The Facility has been made available by Domazet FT3 Pty Ltd (“the Lender”), part of the Doma Group. The Lender has a large, diversified investment and funding portfolio, including substantial hotel and commercial property holdings. The Lender has a track record of investment in the Company, including as a substantial investor in the Company’s existing convertible notes issued in 2018<sup>^</sup>.

Key terms of the lending facility can be found at the bottom of this announcement.

As part of putting in place the Facility, D13 was required and received support from holders of the existing convertible notes (“Notes”) issued in 2018<sup>^</sup> to the following:

- Waiver to provide the Facility First Ranking security ahead of the Notes
- Waiver and removal of the cash covenant of \$1.5m
- Standstill on redemptions
- Capitalization of Note interest moving forward
- Note conversion price to be adjusted from 10c to 4c, subject to shareholder approval at an EGM

Henslow has acted as the Company’s Corporate Advisor through this process.

### Operational Update

Over the past six months the Company has been working to broaden its product offerings and revenue streams to position itself for long-term success. At the November AGM the Company detailed its strategy to shareholders which, in addition to selling MESMER™ as a hardware and software solution, included the following:

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<sup>^</sup> The existing Notes were issued in 2018, as described in the Company’s announcements and Appendices 3B of 22 March 2018 and 20 August 2018.

- The licensing of Intellectual Property across multiple products;
- Selling MESMER™ as a software solution;
- Extending MESMER™'s capabilities; and
- Improving patent protection, particularly within communication networking and telecommunication networking;

The Company has been executing on the strategy outlined at the AGM with progress being made on many fronts including:

- Core business – With the Facility in place the Company is confident of securing further sales this year. There has been a substantial increase in inbound enquiries as a result of the Gatwick, Heathrow and Newark airport closures not only from Airport Operators globally but also from other industries covering border security, mobile VIP protection, critical infrastructure and public venue safety;
- Licensing – D13 continues to engage with other C-UAS providers interested in licensing certain patents and technologies in the D13 portfolio;
- New Business Segment – D13 has continued to develop a new business segment based on its Single Carrier - Frequency Division Multiple Access (“SC-FDMA”) patents. Initial testing was very promising, and the Company is now finalizing prototypes for demonstration. Upon reaching this milestone, the Company will advise of its updated strategy for this segment;
- IP Strategy – D13 continues to explore additional licensing opportunities and grow its extensive patent portfolio highlighted in the 2018 Annual Report.

## **Board**

The Company is in the process of reconstituting the Board and will appoint two new Australian Directors shortly. Further, the Company will be looking to replace Mr. Steve Shattil and Dr. Kathleen Kiernan who have tendered their resignation, effective no later than February 25, 2019. Subsequently, the Company will not be holding an EGM for the Spill Resolution. The two new Australian Directors are to be appointed before Mr Shattil's and Dr Kiernan's resignations will have taken effect. All new Directors will be subject to re-election at the 2019 AGM.

## **Next Steps**

D13 will continue to work on the above strategy and will update shareholders and the market in more detail following the Board restructure and completion of its half-yearly results.

The update will include more detail with respect to the re-listing of the Company's shares, which (subject to ASX approval) is anticipated to be able to be completed following the appointment of the two new Australian Directors, release of its half-yearly results and the EGM at which shareholder approval for the issuance of Tranche 2 Notes and the reduction of the conversion price of the existing Notes will be sought.

### Lending Facility Key Terms

Total Facility	\$10m over 3 tranches
Tranche 1	\$2m Lender has advanced \$600,000 that will be treated as Tranche 1 advances
Tranche 2	\$3m Subject to the shareholders' approval as referred to above for the conversion price of existing convertible notes issued in 2018 as previously approved by shareholders to be reduced from 10 cents to 4 cents. The Company will also seek shareholder approvals to issue Tranche 2 and/or 3 convertible notes if at the time of a proposed issue it does not have sufficient existing capacity to do so.
Tranche 3	\$5m Subject to a minimum operational hurdle of booking contracted sales or licensing fees of at least \$5 million after the first Tranche 2 draw down.
Interest	Tranche 1 & 2 - 1.67% per month on funds drawn Tranche 3 – 1.5% per month on funds drawn
Establishment Fee	10% on the Total Facility on a pro-rata basis when Tranche 1 & 2 are initially drawn
Repayment	Can be repaid at any time without penalty
Maturity	19 March 2020
Security	First Ranking security interest over the assets and undertaking of the Company

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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 a substantial intellectual property portfolio covering 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.