



29 February 2016

The Companies Announcements Office  
The Australian Securities Exchange Limited  
PERTH WA

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## Appendix 4D – Half Year Report

**1. Name of Entity** Department 13 International Ltd  
ABN 36 155 396 893

Half year ended 31 December 2015

Reporting period 1 July 2015 to 31 December 2015

Previous period 1 July 2014 to 31 December 2014

**2. Results for announcement to the market**

	31 December 2015 \$	31 December 2014 \$	% Change Up (Down)
2.1 Revenues from continuing operations	317,206	172,365	84%
2.2 Loss from continuing operations after tax attributable to members	(2,181,951)	(46,100)	2,106%
2.3 Net loss attributable to members	(2,181,951)	(46,100)	2,106%
2.4 Proposed dividends	Nil	Nil	n/a
2.5 Not applicable			
2.6 Revenue increased in the period as the Company's projects become more established.			

The loss in the six months to 31 December 2015 increased significantly from the prior period due to increased spending by the Group as it seeks to start production in 2016. Significant one-off costs were also incurred in listing on the Australian Stock Exchange as well as completing the reverse acquisition of Department 13 LLC.

This appendix 4D should be read in conjunction with the 31 December 2015 Interim Financial Report and any announcements made to the market in the period by the Company in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>% Change</b>
	<b>\$</b>	<b>\$</b>	<b>Up (Down)</b>
3. Net tangible asset (liability) per security	1.4 cent	0.0 cent	NMF
4. On 18 December 2015, Department 13 International Ltd (formerly Kunene Resources Limited, "D13 International") wholly acquired Department 13 LLC.			

Under the accounting standard applicable to business acquisitions, AASB 3 Business Combinations (FP), the acquisition is required to be accounted for as a reverse acquisition of D13 International by Department 13 LLC. Under this scenario, Department 13 LLC is deemed to be the acquirer and D13 International is deemed to be the subsidiary.

Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of Department 13 LLC from the date of acquisition.

Department 13 LLC's and Department 13 International Ltd's losses included in the net consolidated loss of the Group were \$899,221 and \$117,730 respectively.

On 30 November 2015, the Group disposed of the following assets:

1. African Mining Capital Pty Ltd, the ultimate holding company for the 95% owned Kaoko Project in Namibia;
2. Kunene North Pty Ltd, the ultimate holding company for a 95% interest in several ungranted licence applications in Namibia;
3. A 49% shareholding in Bolt Resources Pty Ltd, which is the holder of the Alcoutim licence in Portugal;
4. Various exploration related fixed assets located in Namibia.

There was limited impact on the Group's financial performance on disposal of the above assets as they had been fully impaired by the Group as of 30 June 2015.

5. There were no payments of dividends during the reporting period.
6. There is no dividend reinvestment plan in operation.
7. There are no associates or joint venture entities.
8. The Company is not a foreign entity.

9. The accounts are not subject to any audit dispute or qualification.

The Company's half year report follows.

Yours sincerely,



**Jonathan Hunter**  
**Chief Executive Office**  
**Department 13 International Ltd**  
**29 February 2016**

#### **ABOUT Department 13 International Ltd**

D13 was founded in Virginia 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 has 9 patents and 15 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;
- Sophisticated applications in the RF environment (Radiometrics).



**Department 13 International Ltd**  
(formerly known as Kunene Resources Limited)

**ACN: 155 396 893**

**Interim Consolidated Financial Report  
for the Six Months Ended 31 December 2015**

**Department 13 International Ltd**  
**2015 Financial Report**

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## Corporate Information

### Department 13 International Ltd

#### Directors

Jonathan Hunter (Chairman, CEO)  
Kathleen Kiernan (Executive Director)  
Al Teller (Executive Director)  
Philip George (Non-Executive Director)  
Gavin Rezos (Non-Executive Director)

#### Managers

Roger Davies  
Steven Shattil

#### Chief Executive Officer

Jonathan Hunter

#### Registered Office

Department 13 International Ltd  
Suite 5  
95 Hay Street  
Subiaco WA 6008  
Australia

#### Corporate Head Office and Principal Place of Business

Department 13 LLC  
D13 Research and Development Lab  
3110 Fairview Park Drive, Suite 250  
Falls Church, VA 2204  
United States of America  
[Info@department13.com](mailto:Info@department13.com)

#### Website:

<http://www.department13.com>

#### Corporate Accountant

Traverse Accountants  
Suite 305, Level 3  
35 Lime Street  
Sydney NSW 2000  
Australia

#### Auditor

RSM Australia Partners  
Level 13  
60 Castlereagh Street  
Sydney NSW 2000  
Australia

#### Lawyer

GTP Legal  
Level 1  
28 Ord Street  
West Perth WA 6005  
Australia

## Directors' Report

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Department 13 International Ltd (formerly known as Kunene Resources Limited [ASX.KNE] and referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

### Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Jonathan Hunter	Chairman, CEO
Kathleen Kiernan	Executive Director
Al Teller	Executive Director
Philip George	Non-Executive Director
Gavin Rezos	Non-Executive Director

### Chief Executive Officer

Mr Jonathan Hunter

### Review of Operations and Financial Results

The net loss after tax for the year was \$2,181,951 (2014 loss: \$46,100). The loss in the six months to 31 December 2015 increased significantly from prior periods due to increased spending by the Group as it seeks to start production in 2016. Significant one-off costs were also incurred in listing on the Australian Stock Exchange as well as completing the reverse acquisition of Department 13 LLC.

### Principal Activities and Strategy

The Group's core activity is drone defence, cyber security and RF software communications and networking. Department 13 LLC is based in Virginia, USA which has research and development contracts with multiple US Government agencies.

### Recent Highlights

- Aim for production to commence in 2016
- Another successful demonstration conducted for U.S. Government Agencies
- Initial demonstration for U.S. defence industry and security corporations
- Senior software engineering team appointed
- Business development progress for drone defence technologies
- New offices and laboratories in key marketplace
- Corporate activity

### Aim to Produce Counter Drone Security Product in 2016

The Group is focused on achieving its goal of having its first commercial counter drone security product in 2016. In anticipation of this, the Group has established sales and distribution partnerships in Australia, UK and Europe via its well qualified and well connected distribution partners in Explosive Protective Equipment (EPE) (Australia) and Intelligence Management Support Services Ltd (IMSL) (UK and Europe).

## **Directors' Report (Continued)**

### US Government Agencies Tech Demonstration Day

On 8 December 2015, the Group conducted a live technology demonstration day attended by several U.S. Government Agencies representing the Defence, Homeland Security, Law Enforcement and Intelligence communities.

The Group demonstrated to these agencies how its counter-drone technology can acquire and simultaneously take control of multiple commercial drones, capture video transmissions from these drones and effect a controlled landing of the drones at a designated safe zone.

The demonstration was highly successful and achieved all its stated objectives.

Another live demonstration day is scheduled for 20 January 2016 for a significant US Department of Defence client.

### Initial U.S. Commercial Customer Tech Demonstration Day

Also in December 2015, the Group held initial live technology demonstrations and presentations for leading U.S. defence industry contractors and security system corporations involved in securing and protecting critical infrastructure and public sporting facilities.

### Senior Software Engineering Team Appointments

The Group has grown its team to 13 employees and 10 contractors comprised of Senior Software Engineers, Software Defined Radio Engineers, Data Exploit Engineers, Senior Radio Protocol Engineers and Wireless/Wi Fi Engineers.

Recent hires include senior industry figures who have been conducting work in data exploitation for intelligence communities, counter drone technologies for US National Laboratories, and Radio Protocol development for Tier 1 US Defence Industry contractors. The team represents a combined 130 years of technology development experience.

The team's specialty fields include Data Exploitation, Protocol Development, Software Defined Radio Programming, Novel Antenna Development, Sensor Design and Development, RF Signal Extraction Development and Android Development. A number of the team members are listed as inventors on important industry patents in their respective fields.

### Business Development

The Group recently completed an independent market assessment for drone defence technologies from a leading U.S. market analysis group. D13 has also commenced initial engagement with large U.S. corporations in the fields of entertainment and cyber security in addition to ongoing work with U.S. Government Agencies.

The Group is currently in the process of seeking distributors of our drone defence technologies in the UK, Europe and Australasia.

### New Offices and Laboratories

The Group is finalising the lease for a new research and development (R&D) facility located at 7021 Columbia Gateway Drive, Columbia, Maryland, USA 21046. This facility is located in the Baltimore Washington Corridor, at the heart of the United States' 4<sup>th</sup> largest marketplace, positioned between Washington, D.C. and Baltimore.

This facility places Group at the heart of the U.S. military, political and intelligence communities.



## **Directors' Report (Continued)**

### **Significant Changes in State of Affairs**

#### Acquisition of Department 13 LLC

The acquisition of Department 13 LLC was completed in December 2015. The \$6 million capital raising was heavily oversubscribed.

The acquisition was treated as a reverse acquisition under *AASB 3 Business Combinations (FP)*.

Legally, as at 31 December 2015, Department 13 LLC is now a wholly owned subsidiary of Department 13 International Ltd (ASX: D13), although it is noted that from an accounting perspective Department 13 LLC is the acquirer and D13 International Ltd the acquired accounting subsidiary. This means that the financial statements of D13 will reflect the opening comparatives and be adjusted against the balance of Department 13 LLC.

#### Sale of the Resource Projects

Shareholders approved the sale of the Kaoko Project together with its other resource projects at the Shareholders' Meeting held on 30 November 2015.

The Group's resource assets consisted of the following:

- a) African Mining Capital Pty Ltd, the ultimate holding company for the 95% owned Kaoko Project in Namibia;
- b) Kunene North Pty Ltd, the ultimate holding company for a 95% interest in several ungranted licence applications in Namibia;
- c) A 49% shareholding in Bolt Resources Pty Ltd, which is the holder of the Alcoutim licence in Portugal;
- d) Various exploration related fixed assets located in Namibia.

The above resource assets were fully impaired by the Group as of 30 June 2015.

No other significant changes in the Group's state of affairs occurred during the financial period.

### **Matters Subsequent to Balance Date**

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

### **Likely developments and expected results of operations**

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this financial statements because the directors believe it could potentially result in unreasonable prejudice to the Company.

## **Directors' Report (Continued)**

### **Environmental regulation**

The Company's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

### **Dividends**

No dividends were paid to members during the financial year (2014: \$Nil).

### **Indemnification of officers**

During the financial year the Company paid premiums in respect of a contract insuring Directors and Executives against a liability incurred in the ordinary course of business.

### **Proceedings on behalf of the Company**

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration is set out on page 7.

### **Auditor**

RSM Australia Partners was appointed as the Company's auditor on 23 September 2015.



**Jonathan Hunter**  
**Chief Executive Officer**  
**29 February 2016**

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Department 13 International Ltd for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink that reads 'G N SHERWOOD' with 'GNS' written to the right.

**G N SHERWOOD**  
Partner

Sydney Australia

Dated: 29 February 2016

**Department 13 International Ltd**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the Six Months Ended 31 December 2015**

		<b>For the 6 Months Ending 31 December 2015</b>	<b>For the 6 Months Ending 31 December 2014</b>
	Notes	\$	\$
<b>Revenue from continuing operations</b>		317,206	172,365
Consulting expenses		(701,128)	(99,392)
Depreciation expense		(2,006)	-
Amortisation expense		(288)	-
Cost of listing	3	(1,461,743)	-
Employee benefits expense		(19,531)	-
General and administration expenses		(174,609)	(80,050)
License fees and patent expense		(14,534)	(36,732)
Professional fees		(96,149)	(1,954)
Research and development expense		(29,169)	(337)
		<hr/>	<hr/>
Loss before income tax		<b>(2,181,951)</b>	<b>(46,100)</b>
Income tax expense		-	-
		<hr/>	<hr/>
Loss for the period		<b>(2,181,951)</b>	<b>(46,100)</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Exchange differences on translating foreign operations, net of tax		(74,427)	2,160
		<hr/>	<hr/>
Total comprehensive loss for the period		<b>(2,256,378)</b>	<b>(43,940)</b>
		<hr/>	<hr/>
<b>Earnings per share</b>			
<i>From continuing operations</i>			
- Basic/diluted earnings per share		(0.0320)	(0.0016)
<i>From discontinued operations</i>			
- Basic/diluted earnings per share		-	-

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Department 13 International Ltd**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2015**

		<b>As at 31 December 2015</b>	<b>As at 30 June 2015</b>
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,689,775	39,396
Trade and other receivables		174,330	22,308
<b>Total Current Assets</b>		<b>5,864,105</b>	<b>61,704</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		22,719	6,012
Capitalised patents		24,777	-
<b>Total Non-Current Assets</b>		<b>47,496</b>	<b>6,012</b>
<b>Total Assets</b>		<b>5,911,601</b>	<b>67,716</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		274,755	77,080
<b>Total Current Liabilities</b>		<b>274,755</b>	<b>77,080</b>
<b>Total Liabilities</b>		<b>274,755</b>	<b>77,080</b>
<b>Net Assets / (Liabilities)</b>		<b>5,636,846</b>	<b>(9,364)</b>
<b>EQUITY</b>			
Contributed equity	4	7,931,846	29,258
Reserves	5	(72,725)	1,702
Accumulated losses		(2,222,275)	(40,324)
<b>Equity / (Deficiency in Equity)</b>		<b>5,636,846</b>	<b>(9,364)</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Department 13 International Ltd**  
**Consolidated Statement of Changes in Equity**  
**For the Six Months Ended 31 December 2015**

	Notes	Contributed equity \$	Accumulated Losses \$	Reserves \$	Total \$
<b>2014</b>					
At 1 July 2014		29,258	25,326	(808)	53,776
Loss for the period		-	(46,100)	-	(46,100)
Other comprehensive income		-	-	2,160	2,160
Total comprehensive loss		-	(46,100)	2,160	(43,940)
<b>At 31 December 2014</b>		<b>29,258</b>	<b>(20,774)</b>	<b>1,352</b>	<b>9,836</b>
<b>2015</b>					
At 1 July 2015		<b>29,258</b>	<b>(40,324)</b>	<b>1,702</b>	<b>(9,364)</b>
Loss for the period		-	(2,181,951)	-	(2,181,951)
Other comprehensive income		-	-	(74,427)	(74,427)
Total comprehensive loss		-	-	(74,427)	(2,256,378)
Shares issued in the period	4	7,902,588	-	-	7,902,588
<b>At 31 December 2015</b>		<b>7,931,846</b>	<b>(2,222,275)</b>	<b>(72,725)</b>	<b>5,636,846</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Department 13 International Ltd**  
**Consolidated Statement of Cash Flows**  
**For the Six Months Ended 31 December 2015**

		<b>For the 6 Months Ending 31 December 2015</b>	<b>For the 6 Months Ending 31 December 2014</b>
		<b>\$</b>	<b>\$</b>
	Notes		
<b>Cash flows from operating activities</b>			
Receipts from customers		211,665	157,770
Payments to suppliers and employees		(1,087,644)	(169,791)
<b>Net cash outflow from operating activities</b>		<b>(875,979)</b>	<b>(12,021)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(18,427)	-
Payments for patents		(25,350)	-
Cash acquired on acquisition of subsidiary	3	4,562	-
<b>Net cash outflow from investing activities</b>		<b>(39,215)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Shares issued net of issue costs		6,640,000	-
<b>Net cash inflow from financing activities</b>		<b>6,640,000</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,724,806</b>	<b>(12,021)</b>
Cash and cash equivalents at the beginning of the financial period		39,396	20,529
Foreign exchange adjustment to cash balance		(74,427)	(2,675)
<b>Cash and cash equivalents at end of the period</b>		<b>5,689,775</b>	<b>5,833</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies**

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of Department 13 International Ltd (formerly known as Kunene Resources Limited [ASX.KNE] and referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

**Basis of preparation**

These general purpose interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

**Accounting policies**

**(a) Reverse Acquisition Accounting**

On 18 December 2015, Department 13 International Ltd (formerly Kunene Resources Limited, "D13 International") wholly acquired Department 13 LLC.

Under the accounting standard applicable to business acquisitions, AASB 3 *Business Combinations (FP)*, the acquisition does not meet the definition of a business combination as the net assets of D13 International at the date of acquisition did not represent a business. The transaction has therefore been accounted for as a reverse acquisition of D13 International by Department 13 LLC. The transaction has been accounted for by reference to AASB 2 *Share Based Payments* as a deemed issue of shares. Under this scenario, Department 13 LLC is deemed to be the acquirer and D13 International is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of Department 13 LLC from the date of acquisition.

The impact of the reverse acquisition on each of the primary statements is as follows:

- **Consolidated Statement of Financial Position:** the 31 December 2015 statement of financial position represents both D13 International (formerly Kunene Resources Limited) and Department 13 LLC. The 30 June 2015 statement of financial position represents the position of Department 13 LLC at 30 June 2015.



**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

- **Consolidated Statement of Profit or Loss and Other Comprehensive Income:** the 31 December 2015 statement of profit or loss and other comprehensive comprises 6 months activities of Department 13 LLC and activity for D13 International from the acquisition date on 18 December 2015. The 31 December 2014 statement of profit or loss and other comprehensive income comprises 6 months of Department 13 LLC activity only.
- **Consolidated Statement of Changes in Equity:** The 31 December 2015 statement of changes in equity comprises of 6 months activities of Department 13 LLC and activity for D13 International from the acquisition date on 18 December 2015 and transactions with equity holders for the period. The 31 December 2014 statement of changes in equity comprises changes in equity for the 6 month period of Department 13 LLC only.
- **Consolidated Statement of Cash Flows:** The 31 December 2015 statement of cash flows comprises the cash transactions of Department 13 LLC and activity for D13 International from the acquisition date on 18 December 2015. The 31 December 2014 statement of cash flows comprises of 6 months of Department 13 LLC cash transactions only.

(b) Foreign currency translation

(i) *Functional currency*

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU\$)

The functional currency of Department 13 LLC is United States dollars (US\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(ii) *Presentation currency*

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the Foreign Currency Translation Reserve.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(d) Income tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(e) Leases**

Leases where the lessor retains substantially all of the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

**(f) Impairment of assets**

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(h) Trade and other receivables**

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

(i) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Comprehensive Income as 'impairment expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(j) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

(k) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(l) Employee benefits

(i) *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

*(ii) Retirement benefit obligations*

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for US resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(m) Contributed equity*

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

*(n) Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

(o) Intangible assets

**Patents**

Patents have a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 15 years.

**Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Earnings per share

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(r) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**(s) New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**1 Summary of significant accounting policies (continued)**

(t) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 31 December 2015. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**2 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group remains in a development phase and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

*License and patent expenses*

There is a degree of judgement required in respect of the capitalisation of patent costs and the future commercial application thereof. The Directors had previously adopted a prudent approach and all patent costs incurred prior to 30 June 2015 have been expensed.

The Directors consider it appropriate to capitalise the Groups development costs in the current and future financial periods due to the ongoing commercialisation of the Groups technology from 1 July 2015.

*Share based payments*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.



**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**3 Business Combinations**

	<b>Country of Incorporation</b>	<b>Percentage Owned</b>
Department 13 International Ltd (formerly Kunene Resources Limited)	Australia	100%
- Legal parent, accounting subsidiary		
- Consolidated with African Mining Capital Pty Ltd, a wholly owned subsidiary		

On 18 December 2015, D13 International wholly acquired Department 13 LLC. As noted in note 1(a), the acquisition was treated as a reverse acquisition as per AASB 3 Business Combinations.

	<b>2015 \$</b>
<i>Consideration transferred</i>	
Shares and performance shares issued	2,262,588
	<b><u>2,262,588</u></b>

The consideration in a reverse acquisition is deemed to have been incurred by Department 13 LLC in the form of shares and options issues to shareholders of D13 International. The acquisition date fair value of the consideration transferred has been determined by reference to the value of shares agreed between Department 13 LLC and D13 International shareholders and the number of Shares on issue in the D13 International prior to the acquisition.

*Cost of listing*

Purchase consideration (non-cash equity payment)	2,262,588
Net assets acquired in Department 13 International Ltd at the date of acquisition	(800,845)
Cost of listing	<b><u>1,461,743</u></b>

*Assets and liabilities assumed at date of acquisition*

Current assets	51,043
Non-current assets	850,000
Total assets	<b><u>901,043</u></b>
Current liabilities	100,198
Non-current liabilities	-
Total liabilities	<b><u>100,198</u></b>
Net assets acquired	<b><u>800,845</u></b>

*Net cash inflow on acquisition of subsidiaries*

Consideration paid in cash	-
Less: cash and cash equivalent balances acquired	4,562
	<b><u>4,562</u></b>

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**4 Contributed equity**

	As at 31 December 2015		As at 30 June 2015	
	No. of Shares	\$	No. of Shares	\$
<b>Ordinary shares</b>				
At the beginning of the period/year	38,903,500	29,258	38,903,500	29,258
Shares issued to settle liabilities prior to the Department 13 LLC transaction	65,000,000	-	-	-
Issue of shares pursuant to public offer	60,000,000	6,000,000	-	-
Issue of shares as deemed consideration to acquire Department 13 LLC	251,600,000	2,262,588	-	-
Share issue expenses	-	(360,000)	-	-
	<b>415,503,500</b>	<b>7,931,846</b>	<b>38,903,500</b>	<b>29,258</b>

**5 Reserves**

	As at 31 December 2015 \$	As at 30 June 2015 \$
Foreign currency translation reserve	(72,725)	1,702
Balance beginning of financial year	1,702	1,352
Movement	(74,427)	350
Balance at end of the financial year	<b>(72,725)</b>	<b>1,702</b>

**6 Segment information**

The Group operates in one segment being technology development specialising in drone defence, cyber security and RF software communications and networking. Department 13 LLC is based in Virginia, USA.

The following tables present certain asset and liability information regarding geographical segments for the half years ended 31 December 2015 and 31 December 2014.

*Geographical information*

	Australia		USA		Total	
	Dec 2015 \$	Dec 2014 \$	Dec 2015 \$	Dec 2014 \$	Dec 2015 \$	Dec 2014 \$
<b>Revenue</b>						
External sales	-	-	317,206	172,365	<b>317,206</b>	<b>172,365</b>
Segment revenue	-	-	317,206	172,365	<b>317,206</b>	<b>172,365</b>

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**6 Segment information (continued)**

*Assets and liabilities*

	Australia		USA		Total	
	Dec 2015	Jun 2015	Dec 2015	Jun 2015	Dec 2015	Jun 2015
	\$	\$	\$	\$	\$	\$
Segment assets	608,864	-	5,302,737	67,716	5,911,601	67,716
Segment liabilities	135,748	-	139,007	77,080	274,755	77,080

**7 Events occurring after the balance sheet date**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

**8 Share based payments**

During the six months to 31 December 2015, the following transactions were equity settled by the Group:

Date	Description	No of Securities	Total \$
18/12/2015	Issue of shares as deemed consideration to acquire Department 13 LLC	251,600,000 Ord shares	2,262,588
18/12/2015	Issue of performance shares as deemed consideration to acquire Department 13 LLC	200,000,000 Perf shares	

The follow table presents information on the fair values of securities issued in the financial period up to the Acquisition date by D13 International but were eliminated on consolidation with Department 13 LLC:

Date	Description	No of Securities	Value per security \$	Total \$
18/12/2015	Issue of ordinary shares to brokers for advisory services	65,000,000 Ord shares	0.0100	650,000
18/12/2015	Issue of performance shares to brokers for advisory services	84,000,000 Perf shares	0.0050	418,320
18/12/2015	Issue of options to brokers for advisory services	40,000,000 options	0.0045	179,860
18/12/2015	Issue of performance rights directors	51,250,000 rights <sup>1</sup>	-	-
				<b>1,248,180</b>

**Department 13 International Ltd**  
**Notes to the Financial Statements**  
**For the Six Months Ended 31 December 2015**

**8 Share based payments (continued)**

**Notes:**

<sup>1</sup> Performance rights issued to directors in the financial period have not yet vested.

**9 Company details**

*Corporate Head Office and Principal Place of Business*

D13 Research and Development Lab  
3110 Fairview Park Drive, Suite 250  
Falls Church, VA 2204  
United States of America  
[Info@department13.com](mailto:Info@department13.com)

*Registered Office*

Department 13 International Ltd  
Suite 5  
95 Hay Street  
Subiaco WA 6008  
Australia

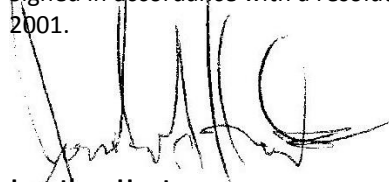
**Department 13 International Ltd**  
**Directors' Declaration**

**Declaration by Directors**

The Directors of Department 13 International Ltd declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- c) in the directors' opinion, the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

Signed in accordance with a resolution of the directors made pursuant to s303(5)(a) of the Corporations Act 2001.



**Jonathan Hunter**  
**Chief Executive Officer**  
**29 February 2016**

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF**  
**DEPARTMENT 13 INTERNATIONAL LTD**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Department 13 International Ltd which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Department 13 International Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Department 13 International Ltd., would be in the same terms if given to the directors as at the time of this auditor's report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Department 13 International Ltd. is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read "G N Sherwood", with the letters "GNS" written in a smaller font to the right of the signature.

**G N Sherwood**  
Partner

Sydney Australia  
Dated: 29 February 2016