

## Quarterly Activities Report for the period ended 30 June 2016

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The attached is the quarterly activities report for the period ended 30 June 2016.

**Department 13 International Ltd (ASX : D13) (“D13” or “the Company”)** provides the following additional information to provide better understanding to the shareholders.

As announced on 27 July 2016, the Company has received commitments from existing and new shareholders to subscribe 52 million new ordinary shares at a price of \$0.125 per share to raise A\$6.5 million. The closing cash balance at 30 June 2016 of A\$2.5 million and A\$6.5 million from the placement before costs provides a strong cash position for the company to accelerate commercial delivery of version 1 of MESMER for commercial delivery in 2016 whilst investing in version 2 of MESMER for with machine learning algorithm technology for commercial delivery in December 2017.

During the period ended 30 June 2016, the Company’s achievements include:

- Initiated work on US\$432K Counter-Drone technology program on behalf of US Department of Defense (DoD)
- Grant of new US patent for coordinated routing direct application to drone defense, efficient cloud storage and streaming media
- Launched MESMER-EX drone forensic and exploitation service
- Invited to showcase MESMER at US DoD Black Dart C-UAS demonstration in September at Elgin Air Force Base, Florida;
- Selected as one of eight finalists in MITRE Counter Drone Challenge to be held in Quantico Virginia in August;
- Established strategic relationship with Booz Allen Hamilton (BAH:NYSE) for Counter Drone Solution opportunities
- Established global distribution sales force with EPE, IMSL, and Phoenix Group

In addition, post half year end, the company reported its appointment as a sub-contractor to Parsons as part of the US Navy Research Labs Information Technology Division 5 year IDIQ US\$245m contract where D13 will deliver services utilizing its patented CoOP MIMO and Sub Space Coding networking technologies and LPI/LPD mobile data security technology.

“Throughout the period Department 13 has seen significant and continually growing interest in our counter-drone solution, MESMER™.

We are becoming the industry-recognized leader in counter-drone solutions by being selected to attend the US DoD counter-drone test and evaluation event, Black Dart, and as a finalist for the MITRE Counter-Drone Challenge.

Driven by a strong demand from US government agencies, commercial customers, and governments outside of the US, D13 has accelerated production and delivery of MESMER™ Version 1 to Q4 of 2016, made possible by the oversubscribed private placement to institutional investors on 26 July.” said Jonathan Hunter, CEO.



**MEDIA RELEASE:**

**ASX: D13**

**DATE: 29 July 2016**

**For more information, contact:**

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**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 ten patents and fourteen 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).

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Department 13 International Ltd

ABN

36 155 396 893

Quarter ended ("current quarter")

30 June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	-	344
1.2	Payments for		
	(a) staff costs	(224)	(784)
	(b) advertising and marketing	(178)	(445)
	(c) research and development	(853)	(1,764)
	(d) leased assets	-	-
	(e) other working capital	(355)	(1,248)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	8
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other		
	- Good and services tax	(8)	24
	- Refundable rental deposit paid	-	(46)
<b>Net operating cash flows</b>		<b>(1,615)</b>	<b>(3,911)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**Admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,615)	(3,911)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	(10)
(d) physical non-current assets	-	(85)
(e) other non-current assets	(59)	(85)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	5
1.13 Other (Cash in subsidiary on acquisition)	-	5
<b>Net investing cash flows</b>	(59)	(170)
<b>1.14 Total operating and investing cash flows</b>	(1,674)	(4,081)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	7,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Cost of share issues)	-	(360)
<b>Net financing cash flows</b>	-	6,640
<b>Net increase (decrease) in cash held</b>	(1,674)	2,559
1.21 Cash at beginning of quarter/year to date	4,079	40
1.22 Exchange rate adjustments to item 1.20	108	(86)
<b>1.23 Cash at end of quarter</b>	<b>2,513</b>	<b>2,513</b>

+ See chapter 19 for defined terms.

## Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	98
1.25 Aggregate amount of loans to the parties included in item 1.11	-
1.26 Explanation necessary for an understanding of the transactions	
N/A	

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- N/A
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest
- N/A

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

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+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**Admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	423	536
4.2	Deposits at call	2,090	3,543
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>		<b>2,513</b>	<b>4,079</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

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+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: 29 July 2016  
(~~Director~~/Company secretary)

Print name: KEVIN KYE .....

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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