

Preliminary Final Report For the period ended 30 June 2016

The attached is the Appendix 4E and presentation slides which provides summary of the Preliminary Final Report for the period ended 30 June 2016.

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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.

Department 13 is engaged with multiple counter UAS projects to provide strategic solutions for civil, military and commercial security requirements. Department 13 is competing in the MITRE CUAS Challenge at Marine Corps Base Quantico in August and Blackdart -- the DoD's premier Counter Drone Test Range at Eglin AFB, Florida this September.

D13 has 11 patents and 14 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).

For more information about department 13, follow us on Twitter (@D13ASX), LinkedIn, and YouTube.

department 13

Preliminary Final Report

31 AUGUST 2016

The information presented herein may contain forward-looking statements. These statements relate to future events or D13's future financial performance. Any statements that are not statements of historical fact (including without limitation statements to the effect that the Company or its management "believes", "expects", "anticipates", "plans" (and similar expressions) should be considered forward looking statements. There are a number of important factors that could cause D13's actual results to differ materially from those indicated by the forward looking statements. D13 disclaims any obligation to update any forward looking statement.

FY2016 Achievements

Five major areas of focus for FY2016:

1. Completion of group restructure and relisting on the ASX
2. Engagement of strategic relationships with large corporations and governments organizations
3. Commercial delivery of company's flagship product, MESMER by December 2016
4. Validation of company's technology and market demands as a finalist at Mitre Challenge and invitee to the US DoD sponsored "Black Dart" event
5. Successful completion of an over subscribed \$6.5 million capital raise

1. Group Restructure

During the period ended 30 June 2016 and to-date, Department 13 achieved the following milestones:

ASX listing	Completion of reinstatement to quotation to trade in ASX
Due diligence	Completion of independent market assessment for drone defence technology
Product Development facility	Establishment of new Product Development facility located in Columbia, Maryland, USA.
Software Engineering team	Establishment of Software Engineering Team, comprised of senior software engineers, software defined radio engineers, data exploit engineers, senior radio protocol engineers and wireless engineers
Patents	Grant of US patents for advanced networking used in counter drone system and cooperative subspace coding

Board of Directors' strong experience

Jonathan Hunter – Chairman and CEO

- Over 25 years experience in leadership positions within the US Military and Government Advisory Committees.
- Former Advisor to the National Academy of Science on defense technology applications.
- BS in Criminal Justice and MBA in Technology Management

Dr. Kathleen Kiernan – Executive Director

- Former Assistant Director ATF, 29 year veteran of Law Enforcement. Member of the US Army Science Board, member US Air Force Strategic Studies Board, Member IBM Network Science Research Center.
- PhD in Education from Northern Illinois University, MS in Strategic Intelligence from the Joint Military Intelligence College in Washington D.C. and MA in International Transactions from George Mason University Homeland Security Policy Institute.
- Recipient of Women of Influence – Public Sector Award in 2010

Al Teller – Executive Director

- Former Chairman and CEO of the MCA Music Entertainment Group and CBS Records Music Entertainment
- BS and MS degrees in Engineering from Columbia University and MBA from Harvard Business School.
- President Bill Clinton's appointee to National Information Infrastructure (NII) Advisory Council.

Phil George – Non-Executive Board Member

- Specialist in Information Security and Risk Management, currently operates a global cloud telecom, specializing in high quality, secure voice solutions.
- Launched Uber Perth in Australia in 2014 as Operations Manager.

Gavin Rezos – Non-Executive Board Member

- Extensive international investment banking experience holding CEO positions in companies in Australia, the UK, US & Singapore.
- Non Executive Director of Iluka Resources Limited , Metalysis Plc and Chairman of Alexium International.

2. Strategic relationships

During the period ended 30 June 2016 and to-date,
Department 13 formed the following strategic relationships

Parsons	Agreement with Parsons on US Naval Research Lab Information Technology Division US\$245M IDIQ contract
Phoenix Group	D13 appointed Phoenix Group as Latin American distributor
Booz Allen Hamilton	D13 created strategic relationship with Booz Allen Hamilton. BAH (NYSE)
ISML	ISML appointed distributor in UK Europe
EPE	EPE appointed as Australian Regional Distribution Partner
US Department of Defense	US Department of Defense Awards \$432K for Counter-Drone Technology

Strategic Partners Validate the Technology



D13 partners with US juggernaut to enhance drone security

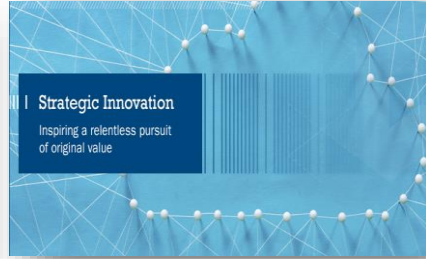


US engineering and construction company employing 14,000 people in over 100 locations worldwide



Department 13 eyes alliance with Booz Allen Hamilton for U.S. defence opportunities

Department 13 International Ltd (ASX:D13), a technology company focused on wireless and mobile technologies has established a strategic relationship with Booz Allen Hamilton (NYSE:BAH). Mar 29th 2016



Prime Defense Contractor and Systems integrator with US Navy and Marines



Department 13 appoints EPE as distributor

© January 20, 2016 10:33am



Supplier of Counter-Terrorism equipment to Australian and NZ Defense Forces and Law Enforcement



IMSL Appointed as Regional Distributor in UK and Europe for Department 13 Counter-Drone Solution

Posted on: 8 February 2016



Drone Threat Intelligence experts advising Defense, Government Agencies and commercial businesses in Europe and around the world



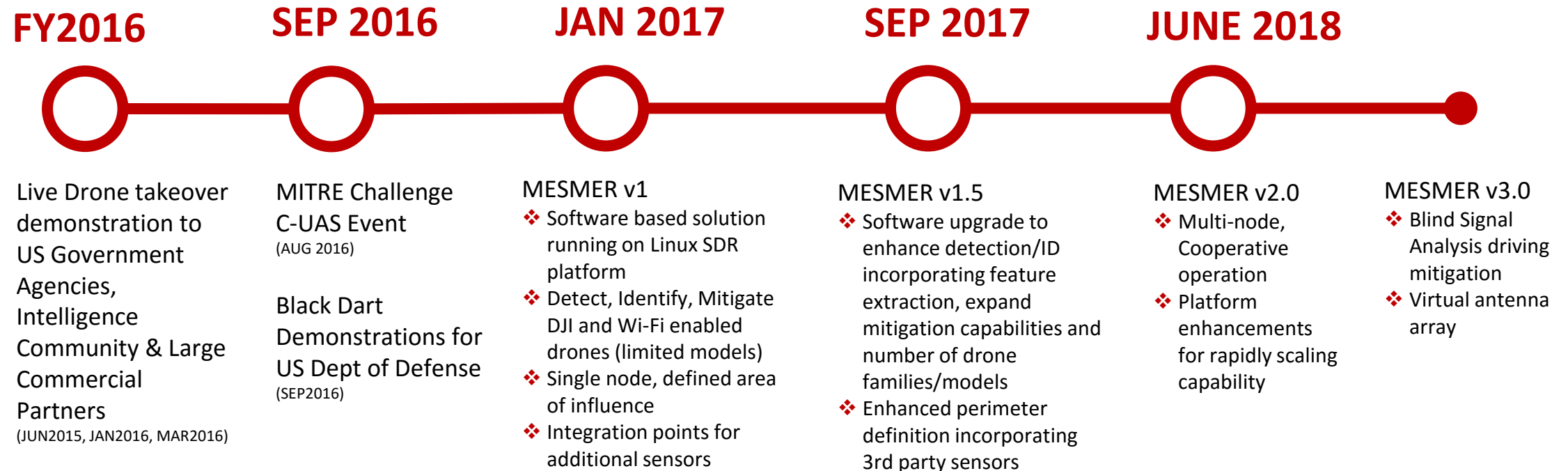
Department 13 Expands Global Reach Appoints Phoenix Group as Latin American Distributor

July 19, 2016



Licensed security company that provides world class security to today's transportation companies

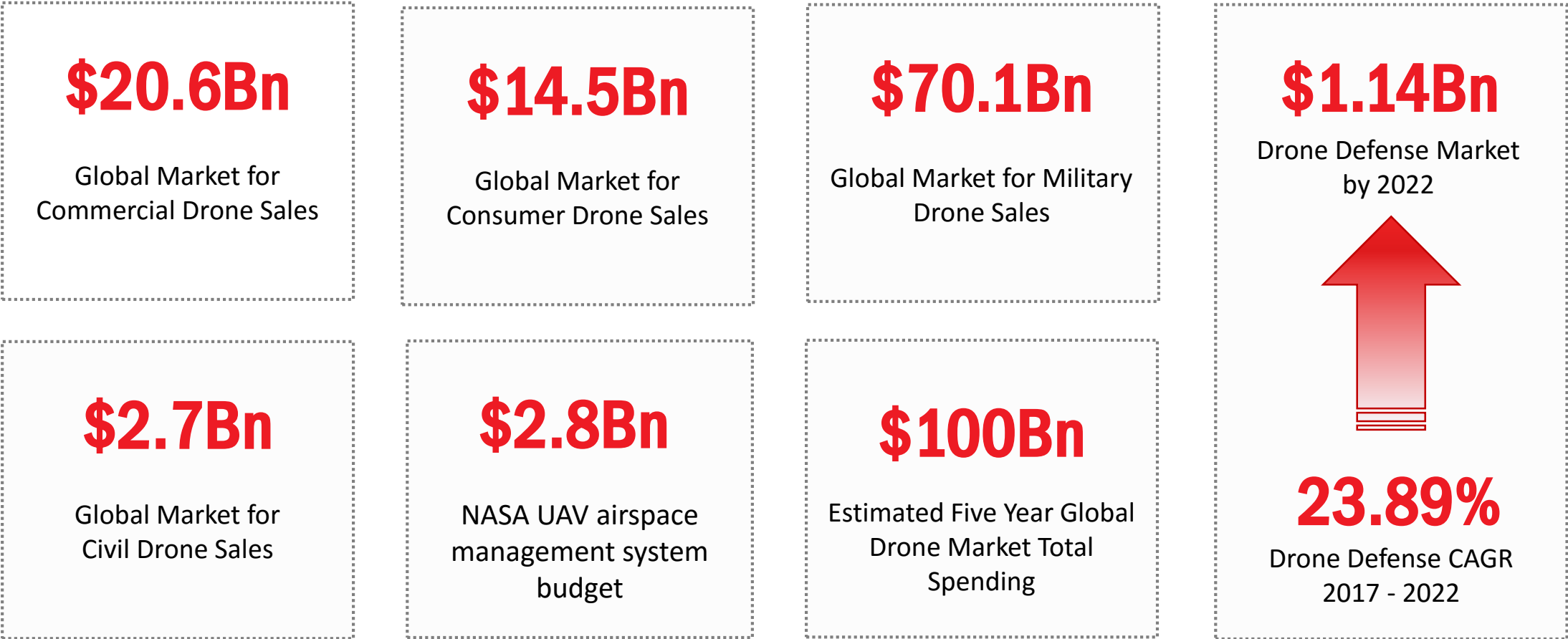
3. Mesmer™ Product Maturity Timeline



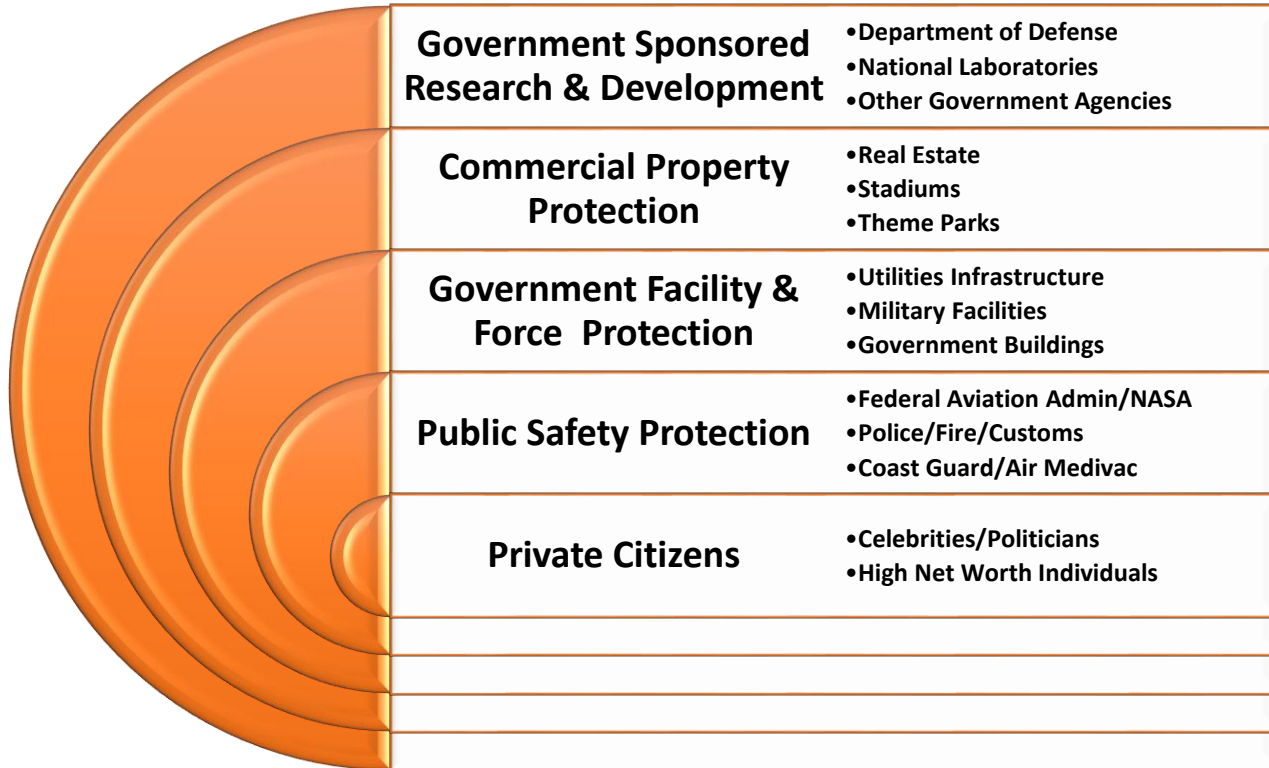
4. Validation of company's technology

MITRE Challenge	August 2016 - D13 is one of 8 finalists from around the world but only 2 of the finalists have a mitigation system rather than detection only
Black Dart	September 2016 - D13 invited by US Dept. of Defense to showcase Mesmer to whole of US Government Departments. Black Dart is the premier Counter UAS demonstration event for US Dept. of Defense and international defense partners
Commercial Licenses	2016 Q4 - D13 expects to trial Mesmer under development license structure with at least two new customers being agencies or departments of Government clients outside the US as well as a commercial property customer in the US
Sales	2016 Q4 - First sales under the US Naval Research labs contract with Parsons leveraging D13's CoOp Mimo, LPI/LPD and Sub space coding technologies
Product Release	January 2017 - Mesmer Version 1 full commercial product release

Drone Market Key Statistics



Goldman Sachs Global Investment Research, Equity Research March 13, 2016
<http://blog.executivebiz.com/2016/03/reportlinker-global-anti-drone-market-to-reach-1-14b-by-2022/>



Impact of Targets

- Technology to address new challenges
- D13 controls significant IP in wireless and networking relevant to Commercial and Defense sectors
- Based on International demand we see early adopters of Counter Drone technology being assessed and evaluated at multiple government agencies in the Global markets

5. D13 successfully completed a \$6.5m capital raise

On July 2016, the Company successfully completed \$6.5m capital raise which enabled accelerated development and commercial delivery of company's flagship product, Mesmer, by December 2016.

The successful completion of capital raise is indicative of the confidence shown by investors regarding Company's strategy for growth and market momentum.

Rule 4.3A

Appendix 4E

Preliminary final report

Name of entity:

Department 13 International Ltd

ABN or equivalent company
reference:

36 155 396 893

1. Reporting period

Reporting period:

Year ended 30 June 2016

Previous corresponding period:

Year ended 30 June 2015

2. Results for announcement to the market

\$A

2.1 Revenue from ordinary activities	Down	1%	to	394,501
2.2 Loss from ordinary activities for the period after tax attributable to members	Up	10,197%	to	(6,759,804)
2.3 Net loss for the period attributable to members	Up	10,197%	to	(6,759,804)
2.4 Dividends		Amount per security		Franked amount per security
Final dividend		Nil		N/A
Interim dividend		Nil		N/A
2.5 Record date for determining entitlements to the dividends		N/A		

2.6 Brief explanation of any of the figures reported above to enable the figures to be understood:

The large movement in the profit from ordinary activities after tax is attributable to increased costs incurred by the Group as it accelerated its research and development program and sought to commence production. Significant one-off costs were also incurred in relisting on the Australian Stock Exchange, including non-cash equity based payments and transaction fees, and completing the reverse acquisition of Department 13 LLC.

3. Consolidated Statement of Comprehensive Income

	Current Period 2016 \$	Previous Period 2015 \$
Revenues from continuing operations	394,501	398,865
Consulting expenses	(853,986)	(227,421)
Depreciation expenses	(15,655)	(590)
Impairment expense	(47,677)	-
Bad debts expense	(2,059)	-
Transaction, relisting, and advisory fees	(2,709,933)	-
Employee benefits expense	(500,562)	-
General and administration expenses	(722,597)	(173,472)
License fees and patent expense	(65,141)	(45,499)
Professional fees	(294,963)	(12,080)
Research and development expense	(1,519,661)	(5,453)
Materials	(29,717)	-
Advertising and marketing	(392,354)	-
Operating loss	(6,759,804)	(65,650)
Interest income	-	-
Loss before income tax		
Income tax (expense) / benefit	-	-
Loss after income tax expense from continuing operations	(6,759,804)	(65,650)
Attributable to:		
Members of the Parent Company	(6,759,804)	(65,650)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations, net of tax	(112,531)	2,510
Total other comprehensive income		
Total comprehensive loss for the year	(6,872,335)	(63,140)
Basic loss per share (cents per share)	(2.80)	(0.19)
Diluted loss per share (cents per share)	(2.80)	(0.19)

4. Consolidated Statement of Financial Position

	Current Period 30 June 2016 \$	Previous Period 30 June 2015 \$
Current Assets		
Cash and cash equivalents	2,513,371	39,396
Trade and other receivables	114,542	22,308
Total Current Assets	2,627,913	61,704
Non-Current Assets		
Trade and other receivables	44,974	-
Property, plant and equipment	132,049	6,012
Total Non-Current Assets	177,023	6,012
Total Assets	2,804,936	67,716
Current Liabilities		
Trade and other payables	535,867	77,080
Total Current Liabilities	535,867	77,080
Total Liabilities	535,867	77,080
Net Assets/(Deficiency in Next Assets)	2,269,069	(9,364)
Equity		
Issued capital	9,000,166	29,258
Reserves	69,031	1,702
Accumulated losses	(6,800,128)	(40,324)
Total Equity/(Deficiency in Equity)	2,269,069	(9,364)

5. Consolidated Statement of Cash Flows

	Current Period 30 June 2016 \$	Previous Period 30 June 2015 \$
Cash flows from operating activities		
Receipts from customers	344,492	423,978
Payments to suppliers and employees	(4,217,675)	(396,743)
Interest received	8,454	-
Refundable deposits paid	(46,289)	-
Net cash (used in)/from operating activities	(3,911,018)	27,235
Cash flows from investing activities		
Purchase of property, plant and equipment	(150,141)	(6,520)
Purchase of intellectual property	(28,986)	-
Loans repaid by other entities	5,000	-
Cash acquired in transaction	4,562	-
Net cash flows used in investing activities	(169,565)	(6,520)
Cash flows from financing activities		
Shares issued net of issue costs	6,640,000	-
Net cash inflow from financing activities	6,640,000	-
Net increase in cash held	2,559,417	20,715
Cash and cash equivalents at the beginning of the period	39,396	20,529
Effects of exchange rate changes on cash	(85,442)	(1,848)
Cash and cash equivalents at the end of the period	2,513,371	39,396

6. Consolidated Statement of Changes in Equity

	Contributed equity	Reserves	Accumulated losse s	Total
	\$	\$	\$	\$
Balance at 1 July 2015	29,258	1,702	(40,324)	(9,364)
Loss for the year	-	-	(6,759,804)	(6,759,804)
Other comprehensive income	-	(112,531)	-	(112,531)
Total comprehensive loss for the year	-	(112,531)	(6,759,804)	(6,872,335)
Transactions with owners in their capacity as owners:				
Issued capital net of issued costs	8,970,908	-	-	8,970,908
Options issued	-	179,860	-	179,860
Balance at 30 June 2016	9,000,166	69,031	(6,800,128)	2,269,069

	Contributed equity	Reserves	Accumulated losse s	Total
	\$	\$	\$	\$
Balance at 1 July 2014	29,258	(808)	25,326	53,776
Loss for the year	-	-	(65,650)	(65,650)
Other comprehensive income	-	2,510	-	2,510
Total comprehensive loss for the year	-	2,510	(65,650)	(63,140)
Transactions with owners in their capacity as owners:				
Issued capital net of issued costs	-	-	-	-
Balance at 30 June 2015	29,258	1,702	(40,324)	(9,364)

7. Dividends (in the case of a trust, distributions)

Date dividend is payable

N/A

+Record date to determine entitlements to the dividend

N/A

If it is a final dividend, has it been declared?

N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax (see note 4)	Amount per security of foreign source dividend
Final dividend: Current year	NIL	N/A	N/A
Interim dividend: Current year	NIL	N/A	N/A

Total dividend (distribution) per security (interim plus final)

	Current period	Previous Period
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

8. Dividend or distribution plans in operation

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

9. Consolidated retained profits/(accumulated losses)

	Current Period 2016 \$	Previous Period 2015 \$
(Accumulated losses)/retained profits at the beginning of the financial period	(40,324)	25,362
Net loss attributable to members	(6,759,804)	(65,650)
(Accumulated losses) at end of financial period	(6,800,128)	(40,324)

10. NTA backing

	Current Period 2016	Previous Period 2015
Net tangible asset backing (deficiency) per ordinary share	0.0055	-

11. Significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

On 18 December 2015, the Company wholly acquired Department 13 LLC.

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

As a result of the reverse acquisition methodology outlined above, the financial statements presented represent D13 LLC and its controlled entities from the date of acquisition.

12. Foreign entities set of accounting standards used in compiling the report (IAS)

The Company is not a foreign entity. Australian Accounting Standards have been applied consistently across all entities in the Group.

13. Commentary on the results for the period

13.1 Earnings per security (EPS)

	Current Period 2016	Previous Period 2015
Basic Loss per share (cents)	(2.80)	(0.19)

13.2 Returns to shareholders (Including distributions and buy backs)

	Current Period 2016 \$	Previous Period 2015 \$
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

N/A

13.3 Significant features of operating performance

The large movement in the profit from ordinary activities after tax is attributable to increased costs incurred by the Group as it accelerated its research and development program and sought to commence production. Significant one-off transaction, relisting, and advisory fees were also incurred in relisting on the Australian Stock Exchange as well as completing the reverse acquisition of Department 13 LLC.

13.4 Segment Information

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.

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.

13.5 Report on trends in performance

Cashflows

The Group successfully raised \$6.64 million, excluding raising costs, in FY 2016.

Operating cash outflows increased quarter on quarter in the year as the Group built out R&D capabilities to ensure successful product delivery following MESMER launch. This trend is expected to continue until commercial delivery in December 2016.

Revenue

Revenues from research and development contracts remained steady against FY 2015 figures with a 1% increase.

Expenses

Operating expenses increased substantially in FY 2016 due to the Group's focus on delivering MESMER commercially to market by December 2016. The Group drastically accelerated its research and development activities, which has resulted in increased labour and consultancy costs. Similarly, the Group has invested substantially in advertising and marketing ahead of the upcoming launch.

Balance Sheet

The Group had cash and cash equivalents at 30 June 2016 of \$2.5 million. The Company undertook a private placement in July 2016 that is expected to further raise \$6.5 million, which will be used to continue advancing commercial delivery of MESMER.

13.6 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

Revenues are expected to improve rapidly in the upcoming financial year with the FY17 Q1 launch of Mesmer, a drone mitigation system and Mesmer-Ex, a drone forensic service; together with a 5 year, multiple award, IDIQ (indefinite delivery/indefinite quantity) contract with Parsons for work to be done at the Naval Research Laboratory Information Technology Division (NRL-ITD).

Separately, significant one-off costs were also incurred in relisting on the Australian Stock Exchange and completing the reverse acquisition of Department 13 LLC.

Any other information required to be disclosed to enable the reader to compare the information presented with equivalent information for previous periods. This must include information needed by an investor to make an informed assessment of the entity's activities and results.

N/A

14. Compliance statement

This report is based on accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

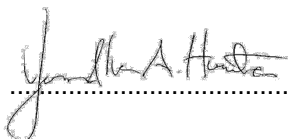
15. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

The report is based upon the accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

16. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

The report is based upon the accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

Sign here:



Date: 31 August 2016

Print name: Jonathan Hunter
Chief Executive Officer