

Placement of up to \$12m in Convertible Notes

PERTH, WA and COLUMBIA, MD USA – DEPARTMENT 13 INTERNATIONAL LTD (ASX: D13) (“Department 13”, “D13” or “the Company”) a cutting edge developer of counter drone technology, is pleased to announce a proposed placement of up to \$12m in Secured Convertible Notes (“Notes”), which convert at A\$0.10 per share.

The proceeds of the Notes will be used to support additional Research & Development into D13s leading MESMER technology, the hiring of additional sales staff and building out inventory for both demonstration stock and in anticipation of converting D13’s expanding sales pipeline.

The Placement of Notes will be issued in two tranches.

Tranche 1

- Proposed placement of up to \$7.5m Notes under the Company’s existing 15% capacity under ASX Listing Rule 7.1. This does not require shareholder approval.
- Final subscription of Tranche 1 is subject to completion of legal documentation and is expected to settle in the week commencing 12 February, 2018.

Tranche 2

- Placement of a further \$2.5m - \$4.5m Notes. This will require shareholder approval at an upcoming Extraordinary General Meeting (“EGM”).

The Company will lodge relevant EGM documentation in the coming weeks and will seek shareholder approval for both the Tranche 2 placement and the Voluntary Escrow of 200m existing shares owned by management and founders for a further 12 months. This was announced to the ASX on the 16 November 2017.

The key terms of the Notes are as follows:

Amount	A\$10,000,000 – 12,000,000
Tranche 1	A\$7,500,000
Tranche 2	A\$2,500,000 – 4,500,000
Interest	12%p.a. payable quarterly in cash
Term	24 Months
Conversion Price	Convertible at A\$0.10 per share or redeemable at face value at Maturity
Conversion	Convertible at Investor’s election to ordinary shares quarterly or at Maturity
Liquidity	Unlisted
Security	Secured

Further details of the Note terms will be provided after completion of formal documentation.

Henslow is Corporate Advisor and Lead Manager to the Placement. The Notes will be issued to clients of Henslow and other Professional and Sophisticated Investors.

Department 13 CEO, Jonathan Hunter, commented: *"I am pleased to announce that the Company has secured an appropriate combination of Debt and Equity via the Convertible Note that will support existing shareholders, bring on new institutional shareholders and supply the Company with sufficient capital to embark on our next phase of growth."*

We will be using the capital to bring on staff to fast track upgrades to our MESMER operating system to meet market demand, expand our sales force, build up our inventory to support both our distribution network with demonstration stock and the demand that we expect to crystalize from our expanding sales pipeline in the near term.

We now look forward to executing on the goals we have set for 2018, with a strong balance sheet and extensive global pipeline of opportunities. We expect this pipeline to continue to grow through our established distribution network and recently announced Teaming Agreement with tier-1 defense contractor Raytheon (NYSE:RTN)."

-ENDS-

For more information, contact

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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 22 patents and 32 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 and sophisticated RF technology applications (radiometrics). For more information about D13, please visit www.department13.com or follow us on Twitter (@D13ASX), LinkedIn and YouTube.