

ASX Announcement

DECEMBER 2020 QUARTERLY REPORT

HIGHLIGHTS

- Successful merger between ParaZero and Delta Drone South Africa
- Raised A\$5 million at \$0.04 a share following strong support from domestic and international investors
- Funds to be used to establish Australian operations, initially targeting local mining and agricultural industries for the Company's commercial drone data services
- Delta Drone International well placed to take advantage of US Department of Transportation Federal Aviation Administration (FAA) final rules for Unmanned Aerial Systems (UAS), for Operations Over People (OOP), Remote ID, and Night Operations.

25 January 2021 – Drone based data systems provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide a business update for the quarter ending 31 December 2020 (Q4 2020), along with its Appendix 4C quarterly cash flow report.

Commenting on the Company's progress over Q4 2020, Delta Drone International (**DLT**) CEO Christopher Clark said:

"We are thrilled to have completed our merger to become Delta Drone International. Combined with a successful capital raise in December 2020, we are now in a strong position to enter the Australian market to supply the vast mining and agricultural sectors – last year worth A\$277 millionⁱ – with our world leading data collecting capabilities.

"The combined business has an opportunity to develop a truly international drone services company, based on its unique advanced technologies and capable of operating in both urban and rural environments, providing drone data services to a broad range of industrial and commercial markets.

"Our R&D team has harnessed DLT's industry leading expertise releasing two next-generation products and finalising two additional OEM integration projects over the last three months.

"With continued industry leading product design, a new market to support business capabilities, and a strengthened balance sheet, Delta Drone International is well positioned to capitalise on the many growth opportunities available in the drone services space, both in Australia and globally."

OPERATIONAL UPDATE

Company

Q4 2020 saw the creation of Delta Drone International after the successful merger of ParaZero and Delta Drone South Africa. Delta Drone International relisted on the ASX, receiving a new ticker code (ASX: DLT) and undertook a successful capital raise, as detailed in the financial overview.

R&D

Next generation technology

Two market-first drone safety technologies were created and released, along with one in the early stage of development:

- 1) The next generation of **Flight Termination Systems (FTS)** – designed to provide an even higher level of reliability when terminating a drone's flight, while extending the operating time of the system. The new technology, even though more advanced, is lower in cost for drone models DJI M200 and M300. These are expected to be of key interest to users in a number of industries/verticals, including mining, mapping, surveillance, inspections, and public safety.
- 2) The next generation **Desktop Application** – designed with basic fleet management capabilities and enhanced flight debriefing tools to increase user engagement and provide more value and user data. This has been developed after feedback from key customers and partners, and will allow DLT to accumulate user data faster and assist in developing and monetizing data related services
- 3) The next generation of **High Reliability Hardware** is currently in development that will provide manned aviation design and features to the industry, focusing primarily on the urban mobility and delivery sectors. The new hardware is completely redesigned from the ground up, and takes into consideration all the knowledge accumulated over the past years, both technological and regulatory, to bring a game-changing product, and is expected to be released to market in Q4 2021.

OEM Integration Projects

DLT completed two OEM projects with the popular Pixhawk 4 and 2.1 autopilots running both **Ardupilot** and **PX4**. Both companies commissioned DLT to integrate its advanced support technology to their software systems to strengthen their product offering. This opens many new integration opportunities with other Pixhawk-based OEMs, for both VTOL and multirotor configurations.

RULES & REGULATIONS

Federal Aviation Administration (FAA) final rules announced (US)

The US Department of Transportation – Federal Aviation Administration (FAA) announced its final rules in December for Unmanned Aerial Systems (UAS) across three categories:

- Operations Over People (OOP);
- Remote ID and;
- Night Operations.

These final FAA rules will enhance DLT's value proposition and product offering in the market, as DLT's SafeAir autonomous parachute technology is specifically designed and tested to meet regulatory compliance for expanded operations, according to risk-based kinetic energy thresholds established by civil aviation authorities around the world. This can provide operators using DLT's parachute technology with expanded legal flight envelopes.

Federal Aviation Administration (FAA) 107.39 Waivers update (US)

Although a slow period in waiver approvals, new '107.39 Waivers' or 'Operations Over People Waivers' using DLT drones and safety systems were granted in Q4 2020 by the FAA to five companies, including The New York Times.

As detailed above, DLT's systems and parachute technology lead the industry in safety standards and were a key reason for the 117FAA granted waivers under the 107.39 rule.

Test deliveries in Israel

DLT in collaboration with its partners, completed two drone deliveries in Israel that to date, had never been achieved. Including:

1. Israel's first certified Beyond Visual Line of Site (BVLOS) drone delivery and;
2. Israel's first medical drone delivery (Covid19 testing kits)

Drone delivery initiatives in Israel continue to grow, with DLT's autonomous parachute technology playing a central role in providing safety and expanded legal flight envelopes in urban environment operations within Israel.

FINANCIAL OVERVIEW

On 3 December 2020, shareholders of Delta Drone International Limited (DLT or the Company) (formerly Parazero Limited) approved the acquisition of Delta Drone South Africa (DDSA) from Delta Drone SA pursuant to which the Company acquired 100% of the issued share capital in DDSA (Transaction). The Transaction has been accounted for as a reverse acquisition under the accounting standards. A reverse acquisition occurs when there is a business combination in which the entity issuing securities is designated as the acquirer for accounting purposes. DDSA is identified as the accounting acquirer (legal acquiree) and Delta Drone International Ltd (DLT) is the accounting acquiree (legal acquirer).

As such, the YTD cash flows represent transactions for the financial year for DDSA and its wholly owned subsidiaries for the 12 months ended 31 December 2020 and cash flows for DLT are included from the date of acquisition, being 22 December 2020 to 31 December 2020. The current quarter cash flows represent transactions for DDSA and its wholly owned subsidiaries for the quarter ended 31 December 2020 and cash flows for DLT from 22 December 2020 to 31 December 2020.

COVID-19 continued to impact revenues in the previous ParaZero business, while drone service operations from the previous Delta Drone South Africa business were largely unaffected in Q4 2020.

Total net operating outflows during the quarter totalled US\$187K. Cash at the end of the quarter was in line with expectations, at US\$3,959K. All DDSA cashflows during the quarter were in line with expectations, with receipts from customers of US\$633k and major expenses being:

- US\$221k on product manufacturing and operating costs;
- US\$192k on staff costs; and
- US\$320k on administration and corporate costs.

In conjunction with the acquisition, DLT raised A\$5 million (before costs) in new capital at \$0.04 per share. Funds from the capital raise will be used to expand into the Australian market to establish an Australian-based 'drones-as-a-service' business.

DLT's Australasian activity will initially focus on the mining and agriculture sectors. Both sectors have expressed interest in outsourcing their complex data collecting needs which will provide DLT an accelerated path to revenue.

Furthermore, the funds raised will support DLT's expansion into additional commercial and industrial sectors in Southern Africa.

Payments to related parties of the entity and their associates

In item 6 of the attached Appendix 4C cash flow report for the quarter, payments to related parties of US\$63K comprised of director fees paid to both executive and non-executive directors.

Use of Funds

The Company was reinstated to official quotation on 31 December 2020 and as such there were no capital raising funds used in the quarter ending 31 December 2020.

In accordance with the ASX Listing Rules, the Company will start reporting against the use of funds disclosed in its prospectus, from the period ending 31 March 2021.

OUTLOOK

2021 is set to be a year of growth for Delta Drone International. As the business moves into its next lifecycle, CEO Christopher Clark will relocate to Australia in the first quarter (travel restrictions permitting) to support the organisation's Australian operations. Delta Drone International is already in extensive discussions with several Australian based mining and agriculture businesses, a positive sign for fast growth in the new region.

Elsewhere it has also been a busy period of business development and we expect to announce new contracts over coming months.

This announcement has been authorised for release by the Board of Delta Drone International Limited.

-ENDS-

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About Delta Drone International

Delta Drone International is a multi-national drone-based data service and technology solutions provider for the mining, agricultural and engineering industries. It provides aerial surveying and mapping, security and surveillance, and blast monitoring and fragment analysis through a fully-outsourced service with AI and fast data turnaround that allows enterprise customers to focus on operations on the ground while Delta Drone International takes care of everything in the air.

It has in-house enabling proprietary technology, an R&D and integration centre and specialist expertise in designing, developing and providing best-in-class autonomous safety systems for commercial drone deliveries, drone flights for crowd monitoring and in urban areas, as well as 'beyond visual line of sight' (BVLOS) missions.

www.parazero.com

^{i i} Australian Drone Market Report 2019-2024 – Drone Industry Insights (droneii.com)

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DELTA DRONE INTERNATIONAL LIMITED (formerly: ParaZero Limited)

ABN

17 618 678 701

Quarter ended (“current quarter”)

31 December 2020

Consolidated statement of cash flows (see Note 1)	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	633	2,600
1.2 Payments for		
(a) research and development	(5)	(11)
(b) product manufacturing and operating costs	(221)	(548)
(c) advertising and marketing	(54)	(91)
(d) leased assets	(20)	(78)
(e) staff costs	(192)	(893)
(f) administration and corporate costs	(320)	(857)
1.3 Dividends received	-	-
1.4 Interest received	3	18
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes (paid)/received	(9)	13
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	33
1.9 Net cash from / (used in) operating activities	(187)	184

Note 1: The Acquisition of Delta Drone South Africa (DDSA) by DLT has been accounted for as a reverse acquisition under the accounting standards. As such, the YTD cash flows represent transactions for the financial year for DDSA and its wholly owned subsidiaries for the 12 months ended 31 December 2020 and cash flows for DLT are included from the date of acquisition, being 22 December 2020 to 31 December 2020.

The current quarter cash flows represent transactions for DDSA and its wholly owned subsidiaries for the quarter ended 31 December 2020 and cash flows for DLT from 22 December 2020 to 31 December 2020.

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(74)	(234)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	17	63
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(7)	(116)
2.4	Dividends received	-	-
2.5	Other:		
	- Deposits	(6)	(14)
	- Cash on reverse acquisition (See note 1)	164	164
2.6	Net cash from / (used in) investing activities	94	(137)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) #	3,853	3,853
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(460)	(460)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,393	3,393

A\$5M raised pursuant to a Prospectus lodged on 10 Nov 2020.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	588	552
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(187)	184
4.3	Net cash from / (used in) investing activities (item 2.6 above)	94	(137)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,393	3,393
4.5	Effect of movement in exchange rates on cash held	71	(33)
4.6	Cash and cash equivalents at end of period	3,959	3,959

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	3,700	197
5.2	Call deposits	259	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,959	197

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	63
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	102	61
7.2	6	-
7.3	358	358
7.4	Total financing facilities	419
7.5	Unused financing facilities available at quarter end	
		47
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	7.1: Unsecured credit facility from Israeli bank Discount bearing interest of 7.6%.	
	7.2: Unsecured credit card (US\$1K) bearing interest 17.25% and unsecured loan from Nedbank (US\$5K) bearing interest 7%.	
	7.3: Unsecured line of credit from Delta Drone SA (France) bearing interest of 10%.	

8. Estimated cash available for future operating activities	\$US'000
(see Note 2)	
8.1	(187)
8.2	3,959
8.3	47
8.4	4,006
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)
	21.4
Note 2: Net cash used in operating activity (item 1.9) is expected to increase going forward, as it will include the whole group activity.	
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	N/A
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	N/A
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	N/A
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 25 January 2021

Authorised by: .By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.