



ASX Announcement

MARCH 2021 QUARTERLY REPORT

CONTRACTS DRIVE GROWTH FOR DELTA DRONE INTERNATIONAL FOR Q1

HIGHLIGHTS

- Signed contracts with multinational conglomerates, Doosan Mobility Innovation, Syngenta and a confidential global mining company
- Expanded agri-tech operations into Zambia
- Founded Africa's first RPL drone pilot course in partnership with the University of Pretoria
- Expanded service offering into aerial security surveillance
- Provided a tailored drone solution for an audit project for a global accounting firm

30 April 2021 – Drone based data systems provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide the business update for the quarter ending 31 March 2021 (Q1 2021), along with its Appendix 4C quarterly cash flow report.

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

"The start of 2021 has seen Delta Drone International emerge as a leader in the enterprise 'drones-as-a-service' space. We have signed significant partnership contracts with leading multinational businesses, expanded our operations into new territories and have grown our core service offering. This has us well placed to deliver on our vision to become a truly international drone services company."

"We have strengthened our relationship with our longstanding and valued customer, Syngenta, by delivering a real time, tailored solution in crop visualisation and analysis while allowing remote data capture to share Syngenta's field trials in Zambia – an essential part of the company's research and development process."

"We also signed our largest OEM integration deal in the company's history with Fortune 500 company, Doosan Mobility Innovation, for integrating our patented SafeAir parachute technology with their award-winning DS30 hydrogen powered endurance drone. We welcome our newly formed relationship with Doosan and look forward to working with them for years to come."

“Lastly on the contract front, Delta Drone International was successful in obtaining an aerial security surveillance contract with a large multinational mining company – this initial six-month contract is worth in excess of \$300,000 and will be the first time our company expands into aerial surveillance. We look forward to renewing this contract in six months’ time.”

“In Africa, we are on track to deliver the region’s first drone pilot University course with the University of Pretoria. The course will be the first of its kind on the continent, offering RPL training to professionals in the mining, agriculture and engineering sectors.”

“This has been a pleasing start to what we predict will be a successful 2021 for Delta Drone International as we continue to increase our international footprint, bring our drones-as-a-service model to new enterprise customers and continue to strengthen our relationships with current customers.”

OPERATIONAL UPDATE

Delta Drone International signed significant contracts with multinational companies, strengthening DLT’s position as a leading ‘drones-as-a-service provider’. DLT also expanded its operations into Zambia and added aerial surveillance to its core remit.

Doosan Mobility Innovation OEM Integration

In March, Delta Drone International signed a multinational OEM integration deal with industrial equipment world-leader, Doosan Mobility Innovation (DMI). DLT will integrate its patented SafeAir parachute technology with Doosan’s award-winning DS30 endurance drone. The multi-phase project will generate initial revenue in excess of A\$150,000 for DLT and is scheduled for completion in mid-2021.

Mining Security Contract

Delta Drone International continued to diversify its service offering in Q1, signing a confidential security service contract with a multi-national mining organisation for air surveillance at one of its African locations. Whilst the client and location cannot be disclosed for security reasons, the initial six-month contract (with option to renew) will generate A\$340,000 revenue for unmanned aerial vehicle (UAV) surveillance services.

Zambia Expansion

During the quarter DLT expanded its operations into Zambia by delivering a specialised agricultural project for leading multinational agriculture services company, Syngenta.

Delta Drone International subsidiary RocketFarm works extensively with Syngenta across South Africa, however this was the first time the relationship extended into Zambia - a key agricultural producer for the southern part of the African continent with unique weather systems and challenges.

Building on an established partnership with Syngenta since 2018, Rocketmine expanded its remit and used its advanced data capabilities to virtually deliver real time crop visualisation and analysis while also allowing remote data capture and sharing of Syngenta’s field trials in the region – an essential part of the company’s research and development process which historically, was conducted face-to-face.

University of Pretoria Drone Pilot Course

Delta Drone International Limited became the first organisation to provide specialised Remote Pilot License (RPL/ RePL) drone courses in Africa in conjunction with the University of Pretoria.

Drone Safety & Legal (Pty) Ltd. (DSL), an accredited training subsidiary of Delta Drone International, designed the RPL course specifically to support the mining, agriculture and engineering sectors. The open-ended arrangement between the parties accepted its first student intake in April. DSL expert trainers are providing the practical, safety and licencing instruction, while University of Pretoria lecturers are providing the related theory.

Audit Project

In March Delta Drone International demonstrated the versatility and scalability of its 'drones-as-a-service' model by providing a tailored drone solution for an audit project by a global accounting firm.

By using remote data capture through highly scalable drone technology and artificial intelligence (AI), Delta Drone International was able to count more than 25,000 sheep in 2.5 hours with 99.9% accuracy - a task that historically would require a team of auditors days to complete with greatly reduced accuracy.

Delta Drone International uses the same AI powered solution to identify sheep and other livestock for its broader agriculture customers. As it is highly scalable, the solution is easily applied to large-scale operations that require monitoring of large numbers of moving objects with no modifications or additional capital required.

Autonomous Medical Delivery Pilot

Delta Drone International partnered with autonomous aerial logistics specialists, Rigitex to pilot a point-to-point autonomous drone-based delivery system to safely deliver essential medical supplies in South Africa.

The new technology was revealed at a demonstration for potential health sector customers at Delta Drone International's Drone Safety & Legal's school venue in Pretoria, Gauteng, where attendees were shown how the delivery service can safely deliver medical supplies from two static locations while remaining compliant with the African Civil Aviation Commission's regulations.

Business Expansion in Australia update

Given COVID-19 travel restrictions, the set up of an Australian head office and a sales and marketing function have taken longer than initially expected. The Company is pleased to announce that CEO Christopher Clark arrived in Australia in mid-March and completed his quarantine period in the first week of April.

New recruitments are being finalised, with an initial focus on business development and operational roles.

The Company remains very optimistic about the business opportunities for its 'drones-as-a-service' offering in Australia, particularly in the agriculture and mining industries.

FINANCIAL OVERVIEW

Receipts from customers for Q1 2021 totalled A\$1.254 million.

Total cash operating outflows during the quarter totalled A\$1.916 million, in line with expectations, with major expenses comprising:

- A\$420K on product manufacturing and operating costs;
- A\$724K on staff costs; and
- A\$845K on administration and corporate costs.

Pursuant to ASX Listing Rule 4.7C.2, the Company provides the below table as a comparison of actual expenditure against the “use of funds” table as disclosed in the Prospectus dated 10 November 2020 (“Prospectus”) (ASX announcement of 10 November 2020):

Use of Funds Under Prospectus	Budgeted Expenditure Amount (\$M)	Actual Expenditure Amount (\$M)
Costs to establish an Australian Head Office	(0.57)	(0.00)
Expenditure on Australian Sales and Marketing Activities	(0.86)	(0.08)
Costs associated with Expansion of South African operations	(0.41)	(0.39)
R&D Expenses	(1.81)	(0.69)
Working capital	(0.60)	(0.37)
Transaction Fees and Expenses ¹	(0.75)	(0.79)
TOTAL	(5.00)	(2.32)
Add: Opening cash prior to IPO		0.22
Add: Proceeds from IPO		5.00
Add: Receipts from Customers		1.30
Less: Product Manufacturing and Direct Operating Costs		(0.42)
Remaining cash at 31 March 2021 as disclosed in Appendix 4C		3.78

Explanation of material variances in the use of funds:

1. The variance is mainly due to additional time incurred in legal matters during the IPO process given the complexity of the Acquisition and higher than budgeted ASX reinstatement fees.

As per line item 6 of the attached Appendix 4C cash flow report for the quarter, payments to related parties and their associates of A\$275K comprised of director fees paid to executive and non-executive directors.

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.

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Appendix 4C

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

Name of entity

DELTA DRONE INTERNATIONAL LIMITED

ABN

17 618 678 701

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,254	1,254
1.2 Payments for		
(a) research and development	(20)	(20)
(b) product manufacturing and operating costs	(420)	(420)
(c) advertising and marketing	(58)	(58)
(d) leased assets	(25)	(25)
(e) staff costs	(724)	(724)
(f) administration and corporate costs	(845)	(845)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(15)	(15)
1.6 Income taxes (paid)/received	55	55
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	133	133
1.9 Net cash from / (used in) operating activities	(662)	(662)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(132)	(132)
	(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		
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	5	5
2.4	Dividends received (see note 3)	-	-
2.5	Other (deposits)	(3)	(3)
2.6	Net cash from / (used in) investing activities	(130)	(130)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	2	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(545)	(545)
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	(543)	(543)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,183	5,183
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(662)	(662)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(130)	(130)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(543)	(543)
4.5	Effect of movement in exchange rates on cash held	(62)	(62)
4.6	Cash and cash equivalents at end of period	3,786	3,786

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,622	4,846
5.2	Call deposits	164	337
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)	3,786	5,183

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	275
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	8	-
7.3 Other (short term bridge financing)	-	-
7.4 Total financing facilities	8	-
7.5 Unused financing facilities available at quarter end		8
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.		
7.2: Unsecured credit card (A\$2K) bearing interest 17.25% and unsecured loan from Nedbank (A\$6K) bearing interest 7%.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(476)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,786
8.3 Unused finance facilities available at quarter end (item 7.5)	8
8.4 Total available funding (item 8.2 + item 8.3)	3,794
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8
<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: 30 April 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.