



ASX Announcement

JUNE 2021 QUARTERLY REPORT

STRONG QUARTER OF INTERNATIONAL ENTERPRISE MINING CONTRACT WINS

HIGHLIGHTS

- Receipts from customers for Q2 2021 totalled A\$1.332 million, an increase of A\$78k on the first quarter
- Year to date (6 months ended 30 June) unaudited revenue of A\$2.4 million
- Results driven by contracts with multinational enterprise mining companies, South32 Coal Holdings (Pty) Ltd (now Seriti Power), Anglo-American subsidiary, Kumba Iron Ore Limited, and Perenti subsidiary, AMS African Mining Services
- Appointed two highly experienced board members from Delta Drone International's major shareholder, Delta Drone SA and since the reporting period, appointed Managing Director of LinQ Group in Australia, Mr Clive Donner.

29 July 2021 – Drone based data systems provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide the business update for the quarter ending 30 June 2021 (Q2, 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:

"Delta Drone International has performed strongly in the enterprise mining space this quarter, signing multiple new contracts with both new and long-standing customers. Over the last three months we have signed contracts with some of the world's leading enterprise mining companies, including South32 Coal Holdings (Pty) Ltd [now Seriti Power], Anglo-American subsidiary, Kumba Iron Ore and Perenti subsidiary, AMS African Mining Services. The faith the enterprise mining sector places in us to deliver the data they need, in real time to guide decision making is a testament to our unique 'drones-as-a-service' model and the value it provides."

"We continue to expand our footprint in Africa, entering Namibia to provide advanced drone training to the enterprise mining sector. We also held a successful trial day of point-to-point autonomous medical deliveries to showcase our capabilities to deliver medical supplies from two static locations while remaining compliant with African aviation regulations – this technology has the ability to provide much needed support to hospital systems through much faster medical deliveries across the region's crowded cities and can ultimately save lives."

"Our Australian operations is gearing up for a big second half of the year, with the business expanding into Perth and Adelaide to support our operations. We have also been working

closely with the Civil Aviation Safety Authority (CASA) and have conducted our first beyond visual line of sight (BVLOS) flight trials."

"Lastly, we have strengthened our board with two new appointments, Mr Christian Viguié and Mr Nicolas Clerc. As CEO and Group CFO of our majority shareholder, Delta Drone SA, they bring invaluable knowledge of the Delta Drone Group and what is required to build a leading drone services company.

Since the reporting period, we have also welcomed Mr Clive Donner to the Board. Mr Donner is the Founding Managing Director of LinQ Group, bringing over 30 years expertise both in Australia and internationally in equity investment, corporate and project debt financing, capital raising, investment advising and evaluation of resource companies."

"We look forward to continuing our growth trajectory and expanding our operations to become a truly international 'drones-as-a-service' company."

COMMERCIAL UPDATE

Delta Drone International continues to sign significant contracts with some of the world's leading enterprise companies, further strengthening its position as a leading 'drones-as-a-service provider'. Key contracts during the period include:

Five-year contract extension with South32 Coal Holdings (Pty) Ltd (now Seriti Power)

In June, Delta Drone International commenced a significant five-year contract extension with global mining and metals company South32 Coal Holdings (Pty) Ltd (now Seriti Power) in South Africa.

The renewed agreement will generate A\$2.7 million in revenue and was signed after a successful six years of Delta Drone International providing its drones-as-a-service capabilities across mine surveying and real-time data collection services.

Contract expansion with global mining customer

In April, Delta Drone International expanded its remit with a longstanding mining customer who required a solution to examine mining site expansion options more accurately.

The versatility of DLT's drones-as-a-service model along with the latest drone technology and knowledge of its specialised mining drone pilots, allowed DLT to deliver a tailored LIDAR solution and keep the work in-house.

The project is a testament to the value our drones-as-a-service model provides by delivering solutions outside our core remit to assist our customers with daily business challenges.

ParaZero contract with Kumba Iron Ore Limited in South Africa

During May, DLT's safety specialist brand, ParaZero, signed its first customer contract in South Africa with leading enterprise mining company Anglo American subsidiary, Kumba Iron Ore Limited (Kumba).

Kumba will enhance its safety operations by installing ParaZero's SafeAir parachute safety system at scale to their on-site drone fleet.

The contract was a result of the synergy benefits of the combined Delta Drone and ParaZero businesses and represents the potential for cross promotion through all Delta Drone International's specialist brands.

AMS African Mining Services for stockpile measurement

Delta Drone International has been recontracted by Perenti subsidiary, AMS African Mining Services for a three-month stockpile volume measurement project. Delta Drone International will deploy its mining specific drone fleet once a week to accurately track of on-site stock volumes so AMS can better optimise their supply chain and have better understanding of how much work the site has left on its project.

Complex auditing projects with Interwaste and BDO

In June Delta Drone International was recommissioned by global accounting firm BDO to again provide its tailored drone solution to count more than 25,000 sheep for a client verification audit.

The project was completed in 2.5 hours with 99.9% accuracy - a task that historically would require a team of auditors and days to complete with greatly reduced accuracy.

In addition, Delta Drone International was commissioned by Interwaste on a contract to provide advanced thermal imaging data to assist the organisation create more detailed air quality reports to monitor the environmental conditions of waste and landfill sites in South Africa.

Using thermal imaging technology, DLT was able to capture visual temperature datasets in near real-time, transmit them, through the cloud to the customer so they could be complemented by traditional data sources to create more dynamic air quality reports that more accurately show changes in micro-climate or local environmental conditions.

Speedbird Aero OEM integration deal

ParaZero, will complete an integration deal in Brazil by December 2021 with Latin American drone delivery company, Speedbird Aero, to integrate its patented SafeAir autonomous parachute technology with Speedbird Aero's fleet of delivery drones.

The multi-phase integration project builds on a three-year partnership between the two companies and will ensure all Speedbird Aero's drones are fitted with industry-certified drone safety systems to build on the 1,000 plus successful deliveries they have conducted in populated areas in Brazil, such as shopping centres.

OPERATIONAL UPDATE

Delta Drone International continues to cement its position as a leading 'drones-as-a-service' provider. This quarter, the Company expanded operations into Namibia, expanded operations in Australia and continued to work with leading regulation authorities to ensure safe drone practices.

Namibia expansion

Drone Safety & Legal (Pty) Ltd. (DSL), an accredited training subsidiary of Delta Drone International expand its training operations into Namibia to deliver advanced drone operations training for enterprise companies.

The courses have been designed specifically for enterprise drone operators with an intermediate understanding of aerial data capture, to gain deeper insights into the magnitude of ways advanced drone use and its associated services can add value to their operations.

Australian operations update

Delta Drone International's Australian operations continue to build, with initial Project Engineers hired in Western Australia to support the region's vast mining sector. The new hires have enabled the South Australian team to build on the agriculture opportunities of the business, with key partnerships established in the state.

DLT is working closely with the Civil Aviation Safety Authority (CASA) and is preparing for its first BVLOS flight trials with the Australian regulator. BVLOS trials are key to the industry's evolution through demonstrations of the latest technology and safety standards that showcase how drones can safely fly over people and populated areas.

Federal Aviation Administration regulation update

In the U.S, the Federal Aviation Administration (FAA) has commenced its transition to new regulations for Operations of Small Unmanned Aircraft Systems Over People (OOP), with the transition period expected to run until December 2021, in-line with its announcement in December 2020.

While the new regulations have come into effect, the FAA has not yet released a 'Declaration of Compliance', which explains how operators can adhere to the new regulations. As a result, in the very near term, compliance in the U.S is ambiguous, with ParaZero safety system orders from some customers on hold while they await confirmation from the regulator.

ParaZero is well positioned to capitalise on the new regulations once the Declaration of Compliance is released, with ParaZero's safety systems specifically designed to meet the required kinetic thresholds under the new regulations.

FINANCIAL OVERVIEW

Receipts from customers for Q2, 2021 totalled A\$1.332 million, an increase of A\$78k on the first quarter

Total cash operating outflows during the quarter totalled A\$2.065 million, an increase of A\$149k on the first quarter, mainly attributed to the fact the Company paid income taxes of A\$49k as opposed to receiving a tax rebate of A\$55k which was the case in the first quarter. The major expenses comprised:

- A\$341K on product manufacturing and operating costs;
- A\$742K on staff costs; and
- A\$813K 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)	(0.02)
Expenditure on Australian Sales and Marketing Activities	(0.86)	(0.13)
Costs associated with Expansion of South African operations ¹	(0.41)	(0.86)
R&D Expenses	(1.81)	(1.07)
Working capital	(0.60)	(1.27)
Transaction Fees and Expenses	(0.75)	(0.79)
TOTAL	(5.00)	(4.14)
Add: Opening cash prior to IPO		0.22
Add: Proceeds from IPO		5.00
Add: Receipts from Customers		2.63
Less: Product Manufacturing and Direct Operating Costs		(0.76)
Remaining cash at 30 June 2021 as disclosed in Appendix 4C		2.95

Explanation of material variances in the use of funds:

1. Expansion of the South African operations has commenced earlier than expected which has resulted a material variance in the budgeted expenditure.

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\$171K comprised of director fees paid to executive and non-executive directors.

WEBINAR DETAILS

An investor webcast will take place on Friday, 30 July 2021 at 2:00pm AEST. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

https://us02web.zoom.us/webinar/register/WN_er3dnU90Rbqb5CCtRcYXg

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

-ENDS-

For more information, please contact:

Corporate

Stephen Buckley
Company Secretary
+61 (0)8 6189 1155

Investors

Eric Kuret, Executive Director @ Market Eye
P: +61-417 311 335
E: eric.kuret@marketeye.com.au

Media

Tristan Everett, Director @ Market Eye
P: +61-403 789 096
E: tristan.everett@marketeye.com.au

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.dlti.com.au

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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,332	2,586
1.2 Payments for		
(a) research and development	-	(20)
(b) product manufacturing and operating costs	(341)	(761)
(c) advertising and marketing	(98)	(156)
(d) leased assets	(34)	(59)
(e) staff costs	(742)	(1,466)
(f) administration and corporate costs	(813)	(1,658)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(7)	(22)
1.6 Income taxes (paid)/received	(49)	6
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	16	149
1.9 Net cash from / (used in) operating activities	(733)	(1,395)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(158)	(290)
	(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
2.4	Dividends received (see note 3)	-	-
2.5	Other (refund of deposits)	10	7
2.6	Net cash from / (used in) investing activities	(148)	(278)

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
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)
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)

Appendix 4C
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	3,786	5,183
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(733)	(1,395)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(148)	(278)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(543)
4.5	Effect of movement in exchange rates on cash held	41	(21)
4.6	Cash and cash equivalents at end of period	2,946	2,946

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	2,760	3,622
5.2	Call deposits	186	164
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)	2,946	3,786

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	171
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 \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(733)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,946
8.3 Unused finance facilities available at quarter end (item 7.5)	8
8.4 Total available funding (item 8.2 + item 8.3)	2,954
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<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: 29 July 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.