



ASX Announcement

DECEMBER 2021 QUARTERLY REPORT
MOMENTUM INCREASING THROUGH BROAD RANGE OF DRONES-AS-A SERVICE CONTRACTS

Q4 FY21 HIGHLIGHTS

- Receipts from customers totalled A\$2.0 million, an increase of A\$584K (41%) on the previous quarter
- Divestment of Parazero for A\$6.0 million in cash, post reporting period
- Results driven by contracts with Thompson Reuters, GoviEx and Northern Star
- Australian operations accounted for A\$454k (23%) of group cash receipts in the quarter
- Appointed Paul Williamson as Chief Financial Officer

31 January 2022 – Drone based data systems provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide the business update for the quarter ending 31 December 2021 (Q4, 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 had a record fourth quarter with all our drones-as-a-service businesses up on the previous quarter. Our operations in South Africa are tracking very well with revenue significantly up on last year and our Australian operations already increasing business through a pivot to focus on drone-related services.

"Our international operations continue to grow, signing contracts with multinational media conglomerate, Thomson Reuters in South Africa, and extending our relationship with uranium producer, GoviEx Uranium in Niger.

"These contracts demonstrate how our 'drones-as-a-service' model not only provides value for our resources customers, but allows us to tailor-make solutions for any customer, in any industry requiring fast and accurate data.

"In Australia our operation is making headways, already accounting for 12% of group revenue year-to-date, within in the first four months of operations. We have a solid team on the ground and a unique business strategy that leverages the expertise across the group that will allow us to better align with the needs of our customers. This has already borne fruit with Arvista's first drone-only contract customers late in the quarter.

"I am also pleased that after a comprehensive executive search during the quarter, we appointed Paul Williamson as our new Chief Financial Officer (CFO). Paul is an outstanding finance professional with extensive experience in banking and governance, along with six years working with ASX listed companies. We look forward to utilising these skills as the group increases the output of the Australian section of the business."

COMMERCIAL UPDATE

Divestment of Parazero for A\$6 million in cash post reporting period

After the reporting period Delta Drone International entered into a binding agreement with a consortium of investors led by NASDAQ-listed Medigus Ltd and facilitated by Israeli venture capital firm L.I.A Pure Capital Ltd to sell ParaZero Technologies Ltd which operates the Company's drone safety business, for a total consideration of A\$6 million in cash.

This will allow Delta Drone International to focus on becoming one of the leading drone service providers globally through a strengthened balance sheet. Funds from the sale will allow the company to grow more aggressively as it carefully invests in building the team, particularly in sales, marketing and service areas. Any opportunity to make similar investments like the recent Arvista acquisition will also be considered.

Key contracts during the period included:

Thomson Reuters

Delta Drone International signed a consultancy agreement with multinational media conglomerate, Thomson Reuters in South Africa to assist with Remote Operator Certificate (ROC) certification, as well as pilot training for the company to be able to capture news and events by drone in real time.

Over a four-month period, Delta Drone International will provide the company with its in-depth knowledge to assist the company gain an ROC certification, as well as train a dedicated Thomson Reuters pilot to have the skills and expertise required to not only fly a media drone, but how best to capture the different types of footage needed for a media company.

This contact showcases the flexibility and expanding use of Delta Drone International's 'drones-as-a-service' model and ability to sign contacts outside DLT's standard remit.

GoviEx Uranium

Delta Drone International has extended its relationship with uranium producer, GoviEx Uranium in Niger to conduct another virtual 3D model baseline survey to create a shareable view of a mining site to share with GoviEx Uranium stakeholders who are unable to attend the site due to current travel restrictions.

The simulation of the mine will allow stakeholders to view the site and make important business decisions, reducing delays brought on by Covid-19.

Northern Star

Australian operation, Arvista, commenced aerial survey work for the global-scale Australian gold producer, Northern Star, within its West Australian operations at Kalgoorlie, Yandal and Pogo. A new client company for Delta Drone International, the job will utilise several of our LIDAR capabilities, including the deployment of autonomous drones for an aerial workforce to collect data. We will provide the data they need in the timeframe they need it which will allow Northern Star to solely focus on their core business operations.

Drone Safety & Legal (DSL) momentum increasing

Drone Safety & Legal (Pty) Ltd. (DSL), an accredited training subsidiary of Delta Drone International, has been providing professional training services including specialised Remote Pilot License (RPL/ RePL) drone courses across Africa in conjunction with the University of Pretoria.

Momentum is increasing across Africa with increasing demand for professional drone-specific courses, that not only accredit students with a RPL drone license, but also allow them to receive specific application training, from world-leading lecturers, in the mining, agriculture and engineering sectors.

OPERATIONAL UPDATE

ParaZero and Paras Aerospace strategic partnership in India

While after the reporting period Delta Drone International's safety specialist brand, ParaZero was divested (see previous page), during the quarter Parazero and India's leading drone developer, manufacturer and integrator of UAV systems, Paras Aerospace, announced an exclusive partnership to launch certified drone parachute systems to the Indian drone market.

The partnership will improve drone safety system standards in India after the Directorate General of Civil Aviation (DGCA) significantly simplified the authorisation and registration regulations for drone operations in September 2021. Safety systems with autonomous flight termination capability will now also be required to be included in all commercial drones over certain weight classes.

India is one of the largest drone markets in the world. Paras Aerospace will be India's sole certifier and integrator of ParaZero's ASTM-certified drone safety parachute systems, leading integration projects for all original equipment manufacturers (OEM) and customers with drone safety requirements in that region.

Arvista integration

The Arvista acquisition was completed on 1 September. Since then, the Australian operation has integrated well into the Delta Drone International model. This is due to the increased focus on drone-related services, rather than initial surveying, for its engineering, construction and mining clients, especially as the labour market for mining surveyors has become very competitive. This allows us to build economies of scale and standardised ways of work,

providing more competitive pricing and consistent services. AS a result of this pivot, Australia has also seen its first drone-only contract customers in late December 2021.

Appointment of Chief Financial Officer

On 2 December 2021 Paul Williamson joined Delta Drone International as Chief Financial Officer (CFO), replacing Mr Moshe Hukaylo.

Paul is an astute finance professional bringing over 29 years' accounting experience to Delta Drone International. As a qualified Chartered Accountant and Company Secretary, Paul has worked for big four professional services firm, KPMG, and surveying and spatial data management services provider, Land Surveys Group, where he played a key role in helping to scale the business.

OUTLOOK

While 2021 was a milestone year with the integration of two companies and the acquisition of Arvista in Australia, in 2022 we will start to see the advantages of our broad suite of drone services come to the fore in several markets. Increasingly customers are seeing the operational efficiencies they can gain by outsourcing complete drone services to experts such as Delta Drone International. We will look to share complementary expertise across business units as we scale up our Australian operations.

FINANCIAL OVERVIEW

Receipts from customers for Q4, 2021 totalled A\$2.0 million, an increase of A\$584K on the third quarter (Q3, 2021).

Total cash operating outflows during the quarter totalled A\$2.8 million, an increase of A\$549K on the second quarter mainly attributed to operating expenses of the newly acquired Arvista Pty Ltd.

Major expenses comprised:

- A\$495K on product manufacturing and operating costs, an increase of A\$18K on the third quarter;
- A\$1.08 million on staff costs, an increase of A\$220k on the third quarter; and
- A\$1.08 million on administration and corporate costs and increase of A\$260k on the third quarter.

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)	(0.35)
Expenditure on Australian Sales and Marketing Activities	(0.86)	(0.21)
Costs associated with Expansion of South African operations	(0.41)	(1.83)
R&D Expenses	(1.81)	(2.01)
Working capital ¹	(0.60)	(3.34)
Transaction Fees and Expenses	(0.75)	(0.79)
TOTAL	(5.00)	(8.53)
Add: Opening cash prior to IPO		0.22
Add: Proceeds from IPO		5.00
Add: Receipts from Customers		6.02
Less: Product Manufacturing and Direct Operating Costs		(1.73)
Remaining cash at 31 December 2021 as disclosed in Appendix 4C		0.98

Explanation of material variances in the use of funds:

1. Includes costs associated with newly acquired Arvista Pty Ltd. These costs were not budgeted when the Prospectus was announced.

As per item 6 of the attached Appendix 4C cash flow report for the quarter, payments to related parties and their associates of A\$114K comprised of director fees, social and superannuation benefits 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 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,011	6,024
1.2 Payments for		
(a) research and development	-	(20)
(b) product manufacturing and operating costs	(495)	(1,732)
(c) advertising and marketing	(108)	(373)
(d) leased assets	(45)	(138)
(e) staff costs	(1,079)	(3,404)
(f) administration and corporate costs	(1,083)	(3,564)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	11
1.5 Interest and other costs of finance paid	(4)	(22)
1.6 Income taxes (paid)/received	(38)	11
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	59	217
1.9 Net cash from / (used in) operating activities	(780)	(2,990)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	(300)
	(c) property, plant and equipment	(180)	(724)
	(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	18	18
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(1)	8
2.4	Dividends received (see note 3)	-	-
2.5	Other (equipment deposits)	(7)	-
2.6	Net cash from / (used in) investing activities	(170)	(998)

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	390	390
3.6	Repayment of borrowings	(4)	(553)
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	386	(161)

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	1,570	5,183
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(780)	(2,990)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(170)	(998)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	386	(161)
4.5	Effect of movement in exchange rates on cash held	(27)	(55)
4.6	Cash and cash equivalents at end of period	979	979

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	963	1,552
5.2	Call deposits	16	18
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)	979	1,570

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	114
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	2,540	390
7.2 Credit standby arrangements	114	18
7.3 Other (short term bridge financing)	-	-
7.4 Total financing facilities	2,654	408
7.5 Unused financing facilities available at quarter end		2,246
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.	
	<p>7.1: Unsecured loan facility of \$2,500K from Delta Drone SA (France) bearing interest of 2.5% per annum on all drawn amounts. As at 31 Dec 2021, \$350K was drawn down. Unsecured and interest free shareholder loan of \$40K from Entech Pty Ltd.</p> <p>7.2: Unsecured credit card (A\$2K) bearing interest 17.25%, unsecured loan from Nedbank (A\$6K) bearing interest 7%, unsecured loan from Sasfin bank (A\$86K) bearing interest 15.75% and unsecured credit card (A\$20k) bearing interest of 20.74%.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(780)
8.2 Cash and cash equivalents at quarter end (item 4.6)	979
8.3 Unused finance facilities available at quarter end (item 7.5)	2,246
8.4 Total available funding (item 8.2 + item 8.3)	3,225
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: 31 January 2022

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.