



ASX Announcement

MARCH 2022 QUARTERLY REPORT

Delta Drone International positions itself to become a leading global drones-as-a-service provider following divestiture of ParaZero

Q1 FY22 HIGHLIGHTS

- Receipts from customers A\$1.8 million in Q1 2022, with continuing business receipts up A\$74K (4%) on the previous quarter
- DLT now operating as a pure drone business following the divestment of ParaZero in the December quarter for A\$6.0 million in cash, providing additional balance sheet flexibility
- New Deals signed with GoviEx Uranium, BDO and Lucapa Diamonds
- Pipeline: successful capability demonstrations in Australia with the Civil Aviation Safety Authority (**CASA**)
- Australian operations accounted for A\$553k (31%) of group cash receipts in the quarter
- Net cash used in operating activities reduced significantly to A\$132K for the quarter (Q4 2021: A\$780K), of which A\$123K related to the final net cash flow in the ParaZero business prior to completion of the sale.
- Cash balance (31 March 2022) of A\$4.3 million including first tranche of proceeds from ParaZero divestiture

29 April 2022 – Drone based data systems provider, **Delta Drone International Limited or DLT (ASX: DLT)** is pleased to provide the business update for the quarter ending 31 March 2022 (Q1 FY2022), along with its Appendix 4C quarterly cash flow report.

Delta Drone International CEO Christopher Clark said: “Delta Drone International is now operating as a pure drone services business after the divestment of ParaZero during the quarter. While ParaZero has been an important part of DLT, with drone services experiencing rapid growth, it was the right time to hand ParaZero over to an experienced business to steer ParaZero through its next stage - allowing us to aggressively accelerate growth across drone services, with the vision of DLT becoming one of the leading drone service providers in the world.

“Our international operations have continued to grow, extending our relationships with uranium producer, GoviEx Uranium in Niger and global accounting firm BDO in Southern Africa.

“Our Australian operations now accounts for 31% of group revenue, and continues to transition towards the Rocketmine operating model, which will soon include the ability to fly drones beyond visual line of site (BVLOS), following successful demonstrations with the Civil Aviation Authority.”

“We have also completed work with Lucapa Diamonds and are in negotiations with several mining companies for services on more than two dozen sites.”

COMMERCIAL UPDATE

Divestment of ParaZero for A\$6 million in cash

On 28 January 2022 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 our subsidiary ParaZero Technologies Ltd which operates the Company's drone safety business, for a total consideration of A\$6.0 million in cash.

As announced on 24 February 2022, the transaction was completed and net funds were received amounting to A\$4.55m. The corrected cash received was A\$4.23, being \$4.55m, less \$0.1m held in escrow to June 2022 and \$0.25m held in escrow to meet potential Israeli withholding tax obligations. In addition, A\$0.9m is held in escrow for 12 months following completion and A\$0.5 in net debt and working capital liabilities assumed by the buyers.

This allows DLT to now 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 (individually non-material):

Contract Extensions

During the quarter, DLT was recontracted by global accounting firm, BDO for an audit project to accurately tally a large number of livestock.

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.

DLT was also recontracted by a confidential multi-national mining organisation to provide an extended range of unmanned aerial vehicle (UAV) surveillance services at its mine sites in Africa.

Lucapa Diamonds

DLT is providing Aerial topographic surveying and modelling for Lucapa Diamond's high-value producing mine, the Merlin Diamond Project, 800km south-east of Darwin in the Northern Territory. This will provide Lucapa with up-to-date, high-resolution data of the historic open pit mines in the region, to assist with geological and geotechnical interpretations. DLT will also provide detailed topographic data that will be used for upgrade of the mine access road and other mine site infrastructure design.

Thompson Reuters

DLT's drone training and RPAS consulting entity, Drone Safety & Legal, was commissioned by multinational media conglomerate Thompson Reuters to provide specialist drone advisory services.

Bibiani Mine

DLT's Rocketmine was awarded the work to provide Lidar and Photogrammetry drone survey services using its long-range V-TOL Fixed Wing drone platform for Asante Gold Corporation's, Bibiani Gold Mine in Ghana, West Africa.

Newmont Akyem and Ahafo

DLT's Rocketmine was awarded additional scope of service for current customer Newmont, based in Ghana. The project entails deploying Rocketmine's High Wall and Pit Mapping services at the Newmont Akyem mine.

Rocketmine was also given an additional vote of confidence when Newmont's Ahafo mine in Ghana also awarded an additional project for High Wall Mapping.

SkyGeo

Multinational Engineering consulting house SkyGeo identified Rocketmine as the partner for drone data services in South Africa. The project included data acquisition for an 800Ha area included pits and a tailings storage facility of SkyGeo's client in the Northern Cape, South Africa.

OPERATIONAL UPDATE

CASA BVLOS Demonstration

During the quarter, DLT demonstrated its capability to fly drones beyond visual line of sight (BVLOS) to Civil Aviation Authority (**CASA**) with all Arvista pilots (DLT's recently acquired Australian based drone business) successfully passing the CASA Instrument rating exam (IREX). IREX is a CASA mandated requirement for crewed aviators which authorised them to fly in non-visual metrological conditions, under the instrument flight rules. IFR flying is what the typical commercial company will operate by and is seen as the professional standard for flight around the world. To gain a pass in IREX requires the pilot to have a high degree of aviation air law knowledge as well as the ability to fly in complex airspace where mistakes are not an option during critical stages of flight. The new accreditation expands DLT's capabilities to perform BVLOS for its customers.

Hardi Australia

Delta Drone International has completed a proof-of-concept (POC) with one of the world's leading spraying companies, Hardi Australia, who look to revolutionise precision agriculture with their GeoSelect precision spraying technology. Trials demonstrated that with Delta Drone International's drone data outputs which enabled Hardi's precision sprayers, to reduce input costs on farms.

Arvista update (acquired September 2021)

Since integrating Arvista into the Delta Drone International Group in September 2021, the Company has made headways in the Australian market with a blue-chip customer base and a solid pipeline of new business. This quarter, Arvista made up 31% of Delta Drone International's cash receipts and has a healthy outlook to continue growing, with new contracts expected and synergies with the broader DLT Group to come into effect.

OUTLOOK

With a refined focus, DLT will start to see the advantages of the Company's broad suite of drone 3000 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. The Company will look to share complementary expertise across business units as its scale up Australian operations.

FINANCIAL OVERVIEW

Receipts from customers for the March ending quarter, Q1 FY2022, totalled A\$1.800 million, a decrease of A\$211K (10%) on the previous quarter (Q4 FY2021) - primarily as a result of the sale of the ParaZero business (A\$285k decrease).

Receipts from customers, excluding the divested ParaZero business totalled A\$1.775 million in the quarter, an increase of A\$74K (4%) on the previous quarter (Q4 FY2021).

Cash outflows from operating payments during the quarter totalled A\$1.973 million, a decrease of A\$837K on the previous quarter - again primarily as a result of the sale of the ParaZero business (A\$595k) combined with lower administrative cost outflows in our African business (A\$216k).

Major cash outflows from operating payments comprised:

- A\$147K final month ParaZero staff, operating and manufacturing costs
- A\$331K on continuing business operating costs
- A\$870K on continuing business staff costs
- A\$523K on continuing business administration and corporate costs.

Net cash used in operating activities was A\$132K for the quarter, of which A\$123K related to the final net cash flow in the ParaZero business prior to completion of the sale.

Net proceeds from the first tranche payment for the disposal of the ParaZero business totalled \$4.057 million, being receipts of \$4.234 million from the purchaser, transaction costs of A\$155K and change in the deconsolidated ParaZero cash of A\$22K.

Short-term loan financing provided by Delta Drone SA (France) during quarter 4 2021 of A\$350K was repaid in the 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)	(0.56)
Costs associated with Expansion of South African operations	(0.41)	(1.85)
R&D Expenses	(1.81)	(2.01)
Working capital	(0.60)	(4.21)
Transaction Fees and Expenses	(0.75)	(0.79)
TOTAL	(5.00)	(9.77)
Less: Working capital for Arvista (newly acquired)¹		(0.68)
Add: Opening cash prior to IPO		0.22
Add: Proceeds from IPO		5.00
Add: Receipts from Customers		7.82
Add: Cash received from divestiture of ParaZero		4.06
Less: Product Manufacturing and Direct Operating Costs		(2.32)
Remaining cash at 31 March 2022 as disclosed in Appendix 4C		4.33

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\$137K comprised of A\$117k in director fees, social and superannuation benefits paid to executive and non-executive directors along with A\$20k paid in employment fees for the quarter to a related party of Chris Clark.

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

-ENDS-

For more information, please contact:

Corporate

Chris Clark, Chief Executive Officer

E: contact@dlti.com

Stephen Buckley, Company Secretary

P: +61 (0)8 6189 1155

Investors and Media

Glen Zurcher, Managing Director @ Viria

P: +61 (0)420 249 299

E: glen@viriair.com.au

About Delta Drone International

Delta Drone International is a ASX listed (ASX: DLT) 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.

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")

31 March 2022

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	1,800	1,800
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(358)	(358)
(c) advertising and marketing	(50)	(50)
(d) leased assets	(52)	(52)
(e) staff costs	(976)	(976)
(f) administration and corporate costs	(537)	(537)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes (paid)/received	32	32
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	7	7
1.9 Net cash from / (used in) operating activities	(132)	(132)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(160)	(160)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	4,057	4,057
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (equipment deposits)	(4)	(4)
2.6	Net cash from / (used in) investing activities	3,893	3,893

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(356)	(356)
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	(356)	(356)

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	955	955
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(132)	(132)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,893	3,893
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(356)	(356)
4.5	Effect of movement in exchange rates on cash held	(30)	(30)
4.6	Cash and cash equivalents at end of period	4,330	4,330

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	4,239	939
5.2	Call deposits	106	16
5.3	Bank overdrafts	(15)	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,330	955

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	137
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	2,540	40
7.2 Credit standby arrangements	114	18
7.3 Other (short term bridge financing)	-	-
7.4 Total financing facilities	2,654	58
7.5 Unused financing facilities available at quarter end		2,596
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 loan facility of \$2,500K from Delta Drone SA (France) bearing interest of 2.5% per annum on all drawn amounts. As at 31 March 2022, none of this was drawn down. Unsecured and interest free shareholder loan of \$40K from Entech Pty Ltd.		
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%.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(132)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,330
8.3 Unused finance facilities available at quarter end (item 7.5)	2,596
8.4 Total available funding (item 8.2 + item 8.3)	6,926
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	52
<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 April 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.