



ASX Announcement

2020 A TRANSFORMATIONAL YEAR FOR DELTA DRONE INTERNATIONAL

HIGHLIGHTS

- Delta Drone South Africa (DDSA) and ParaZero Limited merged via reverse takeover, relisting on the ASX as Delta Drone International Limited
- Raised A\$5 million following strong support from domestic and international investors
- Strengthened board and management following the acquisition of DDSA
- Resilience from the COVID-19 pandemic with long-term annuity contracts in place
- Delta Drone International well positioned to capitalise on its first mover advantage in Australia being the first globally oriented “drones-as-a-service business
- Post balance date, new CEO employment agreed

26 February, 2021 – Drone based data systems provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide this activities report for the full-year ended 31 December 2020 (FY20), along with its Appendix 4E report.

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

“Delta Drone International was a transformational period for the Company, relisting on the ASX following the merger between Delta Drone South Africa and ParaZero. The opportunity to combine two world-leading drone service companies means we are able to provide a full suite of drone services to large and fast-growing target markets.

“Despite the ongoing restrictions from COVID-19 and the continued impact on revenues in the previous ParaZero business, the Delta Drone South Africa business was largely unaffected in the last quarter of FY20. With continued industry leading product design, a new market to support business capabilities, and a strengthened balance sheet following the capital raise in December, we are well positioned to capitalise on the many growth opportunities available in the drone services space, both in Australia and globally.

“We are seeing early momentum in 2021, with new customer contracts secured and expansions into new geographies and sectors. We are confident of the growing need for aerial surveying and mapping within the mining, agricultural and engineering industries, and look forward to achieving further success within these areas in the coming months.”

ACQUISITION OF DELTA DRONE SOUTH AFRICA; A\$5 MILLION CAPITAL RAISE

On 3 December 2020, shareholders of Delta Drone International Limited (formerly ParaZero Limited) approved the acquisition of Delta Drone South Africa (Pty) Ltd ("DDSA") from Delta Drone SA (a public company incorporated in France) pursuant to which the Company acquired 100% of the issued capital in DDSA ("Transaction"). The Transaction, which became effective on 22 December 2020 has been accounted for as a reverse acquisition under IFRS accounting standards.

As part of the transaction, the Company raised \$5,000,000 following strong support from domestic and international investors (before transaction costs) pursuant to a Prospectus via an offer of 125,000,000 fully paid ordinary shares at an issue price of \$0.04 per share.

FINANCIAL OVERVIEW

During the year ended 31 December 2020, DLT generated revenue of \$3.4 million (FY19: \$3.5 million, driven by consistent annuity income, from large-scale mining customers, as well as a growing adoption of drone technology and DLT services in the agricultural sector.

DLT incurred a loss of \$92,709 for FY20 (FY19: profit of \$157,429), which is primarily due to the consolidation of legal and other acquisition costs, for the listed entity, between the acquisition date and year-end.

The Company had net assets of \$11.4 million as at 31 December 2020, with cash and cash equivalents of \$5.2 million, which provides flexibility for the Company to execute its growth plans.

BOARD CHANGES

Following the acquisition of DDSA, Mr Christopher Clark was appointed as Chief Executive Officer and Mr Eden Attias reverted to Executive Chairman. Messrs Dan Arazi, Stephen Gorenstein and Chris Singleton continued their role as Non-Executive Directors.

SIGNIFICANT EVENTS POST REPORTING PERIOD

On 4 February 2021, the Company announced that it will become the first organisation to provide specialised Remote Pilot License (RPL) drone courses in Africa in conjunction with the University of Pretoria. First student intake is scheduled in April 2021.

On 15 February 2021, the Company announced it has expanded operations into Zambia to deliver a specialised agricultural project for leading multinational agriculture services company, Syngenta.

On 25 February 2021, the Company announced it had secured a \$340,000 contract for specialised drone security & surveillance services for one of its African subsidiaries, from a multi-national mining customer, who also has operations in Australia.

OUTLOOK

Delta Drone International is focused on executing its growth strategy in 2021. CEO Christopher Clark will relocate to Australia in the first quarter (travel restrictions permitting) to support the organisation's Australian operations. With new leadership in place, a full suite of world-leading drone services, along with healthy funding, DLT is well positioned to expand its operations and meet its growth targets in 2021.

NEW EMPLOYMENT AGREEMENT FOR CEO

Delta Drone International is pleased to announce that the Company's Chief Executive Officer (**CEO**) Christopher Clark has agreed to new ongoing employment arrangements.

Mr Clark was elected as a director of the Company at an extraordinary general meeting of shareholders on 3 December 2020 in connection with the merger of the Company with DDSA and the Company's relisting on ASX.

Mr Clark was previously the CEO of DDSA, and has served as CEO of the Company since the merger was implemented in December 2020. He will be relocating to Australia with his family in March 2021.

The Company's Executive Chairman, Eden Attias, said: "The Directors have been impressed with Chris since the merger and are delighted to have reached agreement with him to continue as CEO. Chris' experience and in-depth knowledge of the global drone industry means that he is well positioned to lead the Company through its growth trajectory as a leading provider of drones-as-a-service."

The Company's CEO, Christopher Clark, noted: "I am humbled by the confidence placed in me by the Board and our shareholders, and am excited by the opportunities we see for Delta Drone International as our drones-as-a-service model grows across our established geographies and verticals, as well as in new markets. The Company looks forward to continuing to serve as an active participant in the international commercial drone industry and showcasing its data and drone technology solutions."

The material terms of Mr Clark's employment arrangements are detailed in the attached Schedule.

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.

SCHEDULE

The material terms of Mr Clark's employment arrangements are set out as follows:

Position	Chief Executive Officer
Commencement Date	1 March 2021
Term	No fixed term. Ongoing until terminated by either party in accordance with the employment agreement (see 'Termination' below).
Total Fixed Remuneration	A\$195,000 per annum (including superannuation).
Short Term Incentive	Eligible to receive a performance-based cash payment of up to 25% of base salary in respect of FY21, subject to satisfaction of performance targets set by the Board.
Long Term Incentive	Eligible to receive an award of equity and options in the Company of up to 100% of base salary, subject to satisfaction of performance targets and vesting conditions set by the Board, and receipt of necessary shareholder approvals.
Termination	Employment may be terminated with 4 months' notice by either party. The Company may also terminate employment with immediate effect for cause (e.g. breach of contract, serious misconduct or gross negligence).
Post-Employment Restraint	Non-compete and non-solicitation restraints in place for up to six months following cessation of employment.

APPENDIX 4E PRELIMINARY FINAL REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	Delta Drone International Limited ("DLT" or "the Company")
ABN	17 618 678 701
Reporting Period	31 December 2020
Previous Corresponding Period	31 December 2019
Presentation Currency	Australian Dollars (\$)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2020 \$'000	12 months ended 31 Dec 2019 \$'000	Increase/ (decrease) %	Amount change \$'000
Revenues from ordinary activities	3,369	3,525	(4.43%)	156
(Loss)/profit from ordinary activities after tax attributable to members	(161)	128	(225.78%)	289
Net loss for the year attributable to members	(161)	128	(225.78%)	289

Comparisons to the previous corresponding period are comparison to historical financial information extracted from Delta Drone South Africa (Pty) Ltd for the year ended 31 December 2019. Refer to Note 2 of the attached Preliminary Final Report.

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

Refer to section 14 below.

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached consolidated financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached consolidated financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached consolidated financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	31 Dec 2020	31 Dec 2019
Net tangible asset backing per ordinary security	0.614 cents	(0.274) cents

The denominator for the net tangible asset calculation at 31 December 2019 has been adjusted to reflect the reverse acquisition in December 2020.

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity: Delta Drone South Africa (Pty) Ltd ("DDSA")

Date control gained: 22 December 2020

On 22 December 2020, DLT acquired 100% of the issued capital in DDSA ("Transaction"). The Acquisition has been accounted for as a reverse acquisition under Australian Accounting Standards. DDSA was deemed to be the accounting acquirer (legal acquiree) and DLT was deemed to be the accounting acquiree (legal acquirer). As such, the consolidated financial statements are issued under the name of DLT but described in the notes as a continuation of the financial statements of DDSA. The comparative information for the year ended 31 December 2019 is that of DDSA. Refer to Note 2 of the attached Preliminary Final Report.

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate or joint venture entity	N/A	
Reporting entity's percentage holding in this entity	N/A	
Contribution to net profit/(loss) (where material)	Current Period	Previous Period
Aggregate share of profits/(losses) of the above entity (where material)	Current Period	Previous Period

12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Refer to attached consolidated financial statements.

13. FOREIGN ENTITIES

Not Applicable

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

Refer to commentary on page 1 of the attached Preliminary Final Report.

15. AUDIT

This report is based on accounts which are in the process of being audited. It is likely that the Auditor will issue an Independent Auditor's Report that will contain an Emphasis of Matter drawing attention to an uncertainty related to going concern. The attached preliminary financial report has been prepared on a going concern basis.

Purchase Price Allocation ("PPA") and Impairment test for Goodwill

The Company is in the process of identifying the identifiable assets and liabilities within the scope of the consolidated statement of financial position. As at the date of this preliminary report, the Company has not yet completed the PPA exercise. The Company expects this exercise to be complete prior to the lodgement of its 2020 Annual Report whereby in addition to obtaining a final PPA, the Company will also conduct an impairment test for Goodwill.

Impairment testing will be done in accordance with AASB 136 *Impairment of Assets* in order to determine whether the carrying values of certain assets in the statement of financial position continue to be supportable or should be written down (or 'impaired'). Under AASB 136, the impairment test is completed by comparing the carrying value of the relevant assets with their recoverable amounts. The recoverable amount is the higher of the asset's value in use ("VIU") or fair value less costs to sell ("FVLCTS").

Authorised for release by the Board



Christopher Clark
Chief Executive Officer

26 February 2021



DELTA DRONE INTERNATIONAL LIMITED

ABN 17 618 678 701

**PRELIMINARY FINAL REPORT
31 DECEMBER 2020**

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

Review of operations

Unless otherwise stated, all figures in this report are in the Company's presentation currency, the Australian Dollar ("A\$").

During the year ended 31 December 2020, Delta Drone International Limited ("DLT" or "the Company") (*formerly ParaZero Limited*) incurred a loss of \$92,709 (2019: profit of \$157,429). The Company had net assets of \$11,401,331 (2019: net liabilities of A\$616,161) and cash and cash equivalents of \$5,182,923 (2019: A\$784,604). The 2019 comparative figures represent results of Delta Drone South Africa (Pty) Ltd and its wholly owned subsidiaries.

Purchase Price Allocation ("PPA") and Impairment test for Goodwill

The Company is in the process of identifying the identifiable assets and liabilities within the scope of the consolidated statement of financial position. As at the date of this preliminary report, the Company has not yet completed the PPA exercise. The Company expects this exercise to be complete prior to the lodgement of its 2020 Annual Report whereby in addition to obtaining a final PPA, the Company will also conduct an impairment test for Goodwill. More information is provided at Note 2.

Highlights during the year

Acquisition of Delta Drone South Africa (Pty) Ltd

On 3 December 2020, shareholders of Delta Drone International Limited (*formerly ParaZero Limited*) approved the acquisition of Delta Drone South Africa (Pty) Ltd ("DDSA") from Delta Drone SA (a public company incorporated in France) pursuant to which the Company acquired 100% of the issued capital in DDSA ("Transaction"). The Transaction, which became effective on 22 December 2020 has been accounted for as a reverse acquisition under the accounting standards. DDSA is identified as the accounting acquirer (legal acquiree) and Delta Drone International Limited is the accounting acquiree (legal acquirer). As such, the consolidated financial statements will be issued under the name of DLT but described in the notes as a continuation of the financial statements of DDSA.

Further information on the Transaction is detailed in Note 2 of the financial statements.

Capital raising

The Company raised \$5,000,000 (before transaction costs) pursuant to a Prospectus via an offer of 125,000,000 fully paid ordinary shares at an issue price of \$0.04 per share.

Board changes

Following the acquisition of DDSA, Mr Christopher Clark was appointed as Chief Executive Officer and Mr Eden Attias reverted to Executive Chairman. Messrs Dan Arazi, Stephen Gorenstein and Chris Singleton continued their role as Non-Executive Directors.

New ASX Ticker Code

The Company changed its ASX Ticker Code to DLT (formerly PRZ).

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

Principal activities

Delta Drone 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 and fast data turnaround that allows enterprise customers to focus on their operations while DLT takes care of everything in the air, including compliance and maintenance.

Delta Drone 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 in urban areas as well as 'beyond visual line of sight' (BVLOS) missions.

While the COVID-19 pandemic did have an impact on the business, the overall business remained resilient due to long-term annuity contracts with mining customers, considered essential to national economies.

Significant events after the reporting period

On 4 February 2021, the Company announced that it will become the first organization to provide specialized Remote Pilot License (RPL/RePL) drone courses in Africa in conjunction with the University of Pretoria. First student intake is scheduled in April 2021.

On 10 February 2021, 579,201 shares were issued as a result of the exercise of 579,201 unquoted options with an exercise price of \$0.0027.

On 15 February 2021, the Company announced it has expanded operations into Zambia to deliver a specialised agricultural project for leading multinational agriculture services company, Syngenta.



Christopher Clark
Chief Executive Officer

26 February 2021

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Revenue		3,369,115	3,525,073
Cost of sales		(1,398,727)	(1,532,040)
Gross profit		1,970,388	1,993,033
Other income		68,518	111,257
Gains from disposal of assets		20,332	29,631
Employee benefits expenses		(822,905)	(850,565)
Sales and marketing expenses		(8,570)	(225,377)
General and administrative expenses		(1,082,800)	(690,963)
Depreciation expenses		(125,152)	(133,931)
Amortisation expenses		(37,596)	(88,777)
(Loss)/profit before finance expenses		(17,785)	144,308
Finance income		26,292	37,255
Finance expenses		(23,064)	(15,677)
(Loss)/profit before income tax		(14,557)	165,886
Income tax expense		(78,152)	(8,457)
(Loss)/profit for the year		(92,709)	157,429
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		365,994	(35,309)
Total comprehensive income for the year		273,285	122,120
(Loss)/income for the year attributable to:			
Owners of Delta Drone International Limited		(161,277)	128,289
Non-controlling interest		68,568	29,140
		(92,709)	157,429
Total comprehensive income for the year attributable to:			
Owners of Delta Drone International Limited		205,689	93,038
Non-controlling interest		67,596	29,082
		273,285	122,120
(Loss)/earnings per share			
Basic and diluted	3	(0.001)	0.001

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents		5,182,923	784,604
Trade and other receivables		964,746	675,663
Deposits		35,531	17,968
Inventory		490,315	17,596
TOTAL CURRENT ASSETS		6,673,515	1,495,831
NON-CURRENT ASSETS			
Property, plant and equipment		480,289	573,064
Right-of-use assets		177,304	202,462
Intangible assets		38,118	87,019
Goodwill	2	8,288,060	667,590
Deferred tax assets		46,054	81,758
TOTAL NON-CURRENT ASSETS		9,029,825	1,611,893
TOTAL ASSETS		15,703,340	3,107,724
CURRENT LIABILITIES			
Trade and other payables		922,600	116,477
Bank overdraft		80,683	-
Lease liability		79,194	87,106
Borrowings		2,692,720	3,354,742
TOTAL CURRENT LIABILITIES		3,775,197	3,558,325
NON-CURRENT LIABILITIES			
Other financial liability		404,170	-
Deferred tax liability		-	25,926
Lease liability		122,642	139,634
TOTAL NON-CURRENT LIABILITIES		526,812	165,560
TOTAL LIABILITIES		4,302,009	3,723,885
NET ASSETS/(LIABILITIES)		11,401,331	(616,161)
EQUITY			
Issued capital	4	12,904,061	1,159,854
Reserves		(968,570)	(968,570)
Foreign currency translation reserve		331,609	(35,357)
Accumulated losses		(940,790)	(779,513)
Equity attributable to owners of the parent		11,326,310	(623,586)
Non-controlling interest		75,021	7,425
TOTAL EQUITY/(DEFICIENCY)		11,401,331	(616,161)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Issued capital	Reserves	Foreign currency translation reserve	Accumulated losses	Total attributable to Equity Holders of the Company	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	99	-	(106)	(907,802)	(907,809)	(21,657)	(929,466)
Profit/(loss) for the year	-	-	-	128,289	128,289	29,140	157,429
Other comprehensive loss	-	-	(35,251)	-	(35,251)	(58)	(35,309)
Total comprehensive income/(loss) for the year	-	-	(35,251)	128,289	93,038	29,082	122,120
<i>Transactions with owners in their capacity as owners:</i>							
Conversion of DD SA (French Joint Stock Company) loan to equity	1,159,755	-	-	-	1,159,755	-	1,159,755
Transactions under common control	-	(968,570)	-	-	(968,570)	-	(968,570)
Balance at 31 December 2019	1,159,854	(968,570)	(35,357)	(779,513)	(623,586)	7,425	(616,161)
Balance at 1 January 2020	1,159,854	(968,570)	(35,357)	(779,513)	(623,586)	7,425	(616,161)
Profit/(loss) for the year	-	-	-	(161,277)	(161,277)	68,568	(92,709)
Other comprehensive income/(loss)	-	-	366,966	-	366,966	(972)	365,994
Total comprehensive income/(loss) for the year	-	-	366,966	(161,277)	205,689	67,596	273,285
<i>Transactions with owners in their capacity as owners:</i>							
Reverse Acquisition (refer to note 2)	5,563,284	-	-	-	5,563,284	-	5,563,284
Issue of shares (refer to note 4)	6,815,530	-	-	-	6,815,530	-	6,815,530
Share issue costs	(634,607)	-	-	-	(634,607)	-	(634,607)
Balance at 31 December 2020	12,904,061	(968,570)	331,609	(940,790)	11,326,310	75,021	11,401,331

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		3,761,123	958,884
Payments to suppliers and employees		(3,596,351)	-
Interest received		26,292	37,255
Finance expenses		(2,918)	(15,677)
Taxes paid		-	(52,224)
Net cash from operating activities		188,146	928,238
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(339,117)	(311,956)
Proceeds on disposal of plant and equipment		91,376	50,145
Acquisition of subsidiary		247,104	2,036
Deposits (equipment and rental)		(19,876)	-
Net cash (used in) investing activities		(20,513)	(259,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares		4,395,356	-
Repayment of borrowings		(167,707)	(242,543)
Net cash from/(used in) financing activities		4,227,649	(242,543)
Net increase in cash and cash equivalents		4,395,282	425,920
Cash and cash equivalents at the beginning of the financial year		784,604	353,809
Impact of movement in foreign exchange rates		3,037	4,875
Cash and cash equivalents at the end of the financial year		5,182,923	784,604

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 1: BASIS OF PREPARATION

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This preliminary report has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standard Board (AASB) and the *Corporations Act 2001*.

Going Concern

This preliminary final report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss for the year ended 31 December 2020 of \$92,709 and net cash inflows from operating activities of \$188,146.

The impact of the coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage. The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such, the Company is unable to estimate the effects of the COVID-19 outbreak on the Company's financial position, liquidity and operations in the 2021 financial year.

The ability of the Company to continue as a going concern is dependent on the Company's ability to achieve its business goals and objectives and receipts from product sales and drone-based data services, to continue to fund its operational and technology development activities. These conditions indicate the existence of an uncertainty that may cast doubt about the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe the Company will continue as a going concern, after consideration of the following factors:

- The Company has recently been successful in raising equity and does not expect to require any further raises during the year 2021, except for any large asset acquisition as a result of new or renewed customer contracts (i.e., backed by revenue);
- Continued acquisition of new customer contracts and renewals;
- The directors of Delta Drone have reason to believe that in addition to the cash currently available, additional funds from receipts are expected through the sale of the Group's products and services; and
- The level of expenditure can be managed.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern and meet its debts as and when they become due and payable.

The Directors plan to continue the Company's operations on the basis as outlined above and believe there will be sufficient funds for the Company to meet its obligations and liabilities for at least twelve (12) months from the date of this report.

DELTA DRONE INTERNATIONAL LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 2: ACQUISITION OF DELTA DRONE SOUTH AFRICA (PTY) LTD

Reverse Acquisition

On 3 December 2020, shareholders of Delta Drone International Limited (*formerly ParaZero Limited*) approved the acquisition of Delta Drone South Africa (Pty) Ltd ("DDSA") from Delta Drone SA (a public company incorporated in France) pursuant to which the Company acquired 100% of the issued capital in DDSA ("Transaction"). The Transaction, which became effective on 22 December 2020 has been accounted for as a reverse acquisition under the accounting standards. DDSA is identified as the accounting acquirer (legal acquiree) and Delta Drone International Limited is the accounting acquiree (legal acquirer).

As such, the consolidated financial statements will be issued under the name of DLT but described in the notes as a continuation of the financial statements of DDSA. The comparative information for the year ended 31 December 2019 is that of DDSA.

The terms of the Transaction were as follows:

- The issue of 203,512,750 shares to DDSA to acquire 100% of the issued capital of DDSA.
- The issue of 45,000,000 Performance Shares which will convert to new shares according to the following milestones:
 - Class A: 20,000,000 Class A Performance Shares with each Class A Performance Share entitling Delta Drone SA to subscribe for one fully paid ordinary share in the capital of the Company if DDSA achieves consolidated revenue (for the avoidance of doubt, only DDSA and excluding the Company) for any full financial year (being 1 January to 31 December) during the three-year term of the Class A Performance Share of not less than US\$3.2 million ("First Performance Milestone");
 - Class B: 15,000,000 Class B Performance Shares with each Class B Performance Share entitling Delta Drone SA to subscribe for one fully paid ordinary share in the capital of the Company if DDSA enters into at least two (2) binding contracts with Australian based mining companies (being companies that conduct mining, exploration or extraction services) for the provision of drone survey or mapping solutions services to those mining companies in Australia ("Services") and DDSA receives not less US\$1,000,000 (based on audited accounts) of verified revenue in aggregate from such executed contracts received within the three-year term of the Performance Shares for its Services ("Second Performance Milestone"); and
 - Class C: 10,000,000 Class C Performance Shares with each Class C Performance Share entitling Delta Drone SA to subscribe for one fully paid ordinary share in the capital of the Company if during the three-year term of the Class C Performance Shares, the Company announces to the ASX that DDSA has expanded the services of its business offering (being the provision of drone survey and mapping solutions) into a new geographic location outside of Australia, Israel, South Africa, Ghana and Namibia and achieved revenue in that new geographic location of not less than US\$1,000,000 (based on audited accounts) ("Third Performance Milestone").

If a Performance Milestone is not satisfied within three (3) years of the date of issue of the Performance Shares, then the relevant Performance Shares will automatically lapse.

- Broker Shares: 6,000,000 fully paid ordinary shares to Cukierman & Co Investment House Ltd for having introduced the Company and DDSA to one another ("Broker Shares"). The deemed issue price per share is A\$0.04 with an implied value of A\$240,000.

The implications of the acquisition by DDSA on the financial statements are as follows:

(i) Statement of Profit or Loss and other Comprehensive Income

- ❖ The statement of profit or loss and other comprehensive income comprises the total comprehensive income for the 12 months ended 31 December 2020 for DDSA and its wholly owned subsidiaries; for the period 22 December 2020 to 31 December 2020 for DLT.
- ❖ The statement of profit or loss and other comprehensive income for the year ended 31 December 2019 comprises the results of DDSA and its wholly owned subsidiaries only.

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(ii) Statement of Financial Position

- ❖ The statement financial position as at 31 December 2020 represents the combination of DDSA and its wholly owned subsidiaries with DLT.
- ❖ The statement of financial position as at 31 December 2019 represents DDSA and its wholly owned subsidiaries as at 31 December 2019.

(iii) Statement of Change in Equity

- ❖ The statement of changes in equity comprises:
 - the equity balance of DDSA at the beginning of the financial year (1 January 2020).
 - the total comprehensive income/loss for the financial year and transactions with equity holders being 12 months for DDSA and its wholly owned subsidiaries and for the period 22 December 2020 to 31 December 2020 for DLT.
 - the equity balance of the combined DDSA and its wholly owned subsidiaries and DLT.
- ❖ The statement of changes in equity comparatives comprise the full financial year for DDSA and its wholly owned subsidiaries for the 12 months ended 31 December 2019.

(iv) Statement of Cash Flows

- ❖ The statement of cash flows comprises:
 - the cash balance of DDSA and its wholly owned subsidiaries at the beginning of the financial year (1 January 2020).
 - the transactions for the financial year for DDSA and its wholly owned subsidiaries for the 12 months ended 31 December 2020 and for DLT from 22 December 2020 to 31 December 2020.
- ❖ The statement of cash flows comparative comprises the full financial year of DDSA and its wholly owned subsidiaries for the year ended 31 December 2019.

As at the date of acquisition (22 December 2020), the assets and liabilities of the Company were as follows:

	2020
	\$
a) Assets and Liabilities at Acquisition Date	
Cash and cash equivalents	247,104
Other current assets	765,105
Other non-current assets	82,337
Trade and other payables	(1,251,044)
Other current liabilities	(80,652)
Loan from third party	(502,631)
Other non-current liabilities	(404,170)
Convertible notes	(1,000,000)
Net liabilities of DLT at acquisition date	(2,143,951)
b) Deemed consideration	
The consideration was the issue of shares in DLT (legal parent) which was deemed to be A\$5,563,284 based on the following:	
Ordinary shares of DLT (former ParaZero Limited) prior to Acquisition	139,082,099
Share price based on capital raising per Prospectus	\$0.04
Deemed consideration	\$5,563,284
c) Goodwill	\$7,707,235

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Purchase Price Allocation (“PPA”) and Impairment test for Goodwill

The Company is in the process of identifying the identifiable assets and liabilities within the scope of the consolidated statement of financial position. As at the date of this preliminary report, the Company has not yet completed the PPA exercise. The Company expects this exercise to be complete prior to the lodgement of its 2020 Annual Report whereby in addition to obtaining a final PPA, the Company will also conduct an impairment test for Goodwill.

Impairment testing will be done in accordance with AASB 136 *Impairment of Assets* in order to determine whether the carrying values of certain assets in the statement of financial position continue to be supportable or should be written down (or ‘impaired’). Under AASB 136, the impairment test is completed by comparing the carrying value of the relevant assets with their recoverable amounts. The recoverable amount is the higher of the asset’s value in use (“VIU”) or fair value less costs to sell (“FVLCTS”).

NOTE 3: (LOSS)/EARNINGS PER SHARE

	2020	2019
	\$	\$
(Loss)/earnings per share (EPS)		
a) (Loss)/earnings used in calculation of basic EPS and diluted EPS	(161,277)	128,289
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	144,191,756	135,675,167

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 31 December 2019 has been adjusted to reflect the reverse acquisition.

NOTE 4: ISSUED CAPITAL

	2020	2019
	\$	\$
(a) Share Capital		
500,800,731 (2019: 200) fully paid ordinary shares	12,904,061	1,159,854

(b) Movement in Ordinary Capital

	No. of shares	Total A\$
Opening balance as at 31 December 2019	200	1,159,854
Movements during the year	100	575,530
Elimination of Delta Drone South Africa shares on Acquisition of DLT	(300)	-
Existing shares in DLT	139,082,099	-
Conversion of convertible notes	12,500,000	500,000
Conversion of convertible notes	14,705,882	500,000
Issue of shares to acquire Delta Drone South Africa	203,512,750	5,563,284
Issue of shares pursuant to Prospectus	125,000,000	5,000,000
Issue of Broker Shares	6,000,000	240,000
Capital raising costs	-	(634,607)
Closing balance at 31 December 2020	500,800,731	12,904,061

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(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

NOTE 5: SHARE BASED PAYMENTS

During the year ended 31 December 2020, the Company recorded the following share-based payments:

- The issue of 45,000,000 Performance Shares which will convert to new shares according to the following milestones:
 - **Class A** – 20,000,000 Class A Performance Shares with each Class A Performance Share entitling Delta Drone SA France to subscribe for one fully paid ordinary share in the capital of the Company if Delta Drone South Africa achieves consolidated revenue (for avoidance of doubt, only Delta Drone South Africa and excluding the Company) for any full financial year (being 1 January to 31 December) during the three-year term of the Class A Performance Share of not less than US\$3.2 million ("First Performance Milestone");
 - **Class B** – 15,000,000 Class B Performance Shares with each class B Performance Share entitling Delta Drone SA France to subscribe for one fully paid ordinary share in the capital of the Company if Delta Drone South Africa enters into at least two binding contracts with Australian based mining companies (being companies that conduct mining, exploration or extraction activities) for the provision of drone survey or mapping solution services to those mining companies in Australia ("Services") and Delta Drone South Africa receives not less than US\$1,000,000 (based on audited accounts) of verified revenue in aggregate form from such executed contracts received within the three-year term of the Performance Shares for its Services ("Second Performance Milestone"); and
 - **Class C** – 10,000,000 Class C Performance Shares with each Class C Performance Share entitling Delta Drone SA France to subscribe for one fully paid ordinary share in the capital of the Company if during the three-year term of the Class C Performance Shares the Company announces to the ASX that Delta Drone South Africa has expanded the services of its business offering (being the provision of drone survey and mapping solutions) into a new geographic location outside of Australia, Israel South Africa, Ghana and Namibia and achieved a revenue in that geographic location of not less than US\$1,000,000 (based on audited accounts) ("Third Performance Milestone").

If a Performance Milestone is not satisfied within 3 years of the date of issue of the Performance Shares (being 22 December 2020), then the relevant Performance Shares will automatically lapse.