



ASX Announcement

HY21 overview: a year of significant progress for DLT

New markets, new services and new enterprise contracts

HY21 HIGHLIGHTS

- Audit Reviewed revenue of \$2.49 million up 53.3% on prior corresponding period (pcp)
- Australian headquarters established and operational
- New contracts with multinational enterprise companies, South32 Coal Holdings (Pty) Ltd (now Seriti Power), Anglo-American subsidiary, Kumba Iron Ore Limited, Perenti subsidiary, AMS African Mining Services and Syngenta
- Entered three new markets – Namibia, Zambia and Australia
- Signed largest integration deal in company history with Doosan Mobility Innovation
- Added three additional services to core remit, light detection and ranging (LiDAR), security monitoring and advanced drone pilot training
- Post-balance date acquisition of Arvista Pty Ltd ("Arvista") to further strengthen Delta Drone's drone-based data service and technology solutions for its enterprise clients, and further accelerating the Company's growth in the Australian market

31 August 2021 – Global drones-as-a-service provider, **Delta Drone International Limited (ASX: DLT)** is pleased to provide this business update for the half year ending 30 June 2021 (HY21), along with its Appendix 4D.

Commenting on the Company's progress Delta Drone International CEO, Christopher Clark said:

"The first half of 2021 has been a significant period for Delta Drone International as we continue to cement ourselves as a leading drones-as-a-service provider in Africa through substantial contract wins with some of the world's most well-known enterprise and mining companies. We aim to earn the same reputation through our unique service offering and unmatched level of expertise in new markets as our operations ramp up in Australia."

"The addition of three new services to the Delta Drone International remit has contributed to the Company's success over the last six months with light detection and ranging (LiDAR), security monitoring and advanced drone pilot training contracts adding to our \$2.49 million in revenue."

"The Delta Drone International Australian headquarters is fully operational with initial hires made in Perth and Adelaide. We are gearing up for a big second half, signing our first contract since the reporting period and conducting beyond visual line of sight (BVLOS) flight trials with the Civil Aviation Safety Authority (CASA) that showcases our ability to fly drones safely over people with our patented ParaZero safety systems. This type of technology will catapult the drone industry into its next era through uses such as urban deliveries and entertainment."

"Through prudent operations and cost management we are able to use our current cash reserve for a long runway to support current operational needs and future business growth in Australia."

FINANCIAL OVERVIEW

Receipts from customers for HY21 totalled \$2.59 million.

Delta Drone International incurred an operating loss of \$1.49 million for H121. This reflects the Company's current strategy, in using its current cash reserve to support the growth of the business in Australia.

Cash in bank as at 30 June 2021 was \$2.95 million, which provides sufficient flexibility for DLT to carry out its current growth strategy.

COMMERCIAL UPDATE

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

ParaZero OEM integration with Doosan Mobility Innovation

Delta Drone International's safety specialist brand, ParaZero, signed its largest multinational OEM (original equipment manufacturer) integration deal in March, with industrial equipment world-leader, Doosan Mobility Innovation. ParaZero integrated its patented SafeAir parachute technology with Doosan's award-winning DS30 endurance drone.

Ag-tech contract with Syngenta

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

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 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 the drones-as-service model provides by delivering solutions outside DLT's core remit to assist 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 was recontracted by Perenti subsidiary, AMS African Mining Services for a three-month stockpile volume measurement project. Delta Drone International deployed its mining specific drone fleet once a week to accurately track on-site stock volumes so AMS could better optimise their supply chain and have a better understanding of how much work the site had 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.

OPERATIONAL UPDATE

Delta Drone International continues to cement its position as a leading 'drones-as-a-service' provider. The Company has expanded operations into Namibia, Zambia and Australia, and continues 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.

University of Pretoria Drone Pilot Course

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

Drone Safety & Legal (Pty) Ltd. designed the RPL course specifically to support the mining, agriculture and engineering sectors in the region. DSL expert trainers provided the practical, safety and licencing instruction, while University of Pretoria lecturers provided the related theory.

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.

Post-balance date, Delta Drone announced the acquisition of Arvista Pty Ltd to further strengthen the Company's drone-based data service and technology solutions for its enterprise mining clients, and further accelerating its growth in the Australian market.

OUTLOOK

Delta Drone International is focused on growing revenue with a significant investment in sales and marketing to harness the reputation of its technology and operations leadership as it executes its Australian growth strategy. Additionally, the Company is enhancing its operational efficiencies as it works to reduce and control overhead costs within the business to ensure a longer runway for the Company to focus on execution.

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.dlfi.com.au

ASX APPENDIX 4D HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2021

1. DETAILS OF REPORTING PERIOD

| | |
|-------------------------------|---|
| Name of Entity | Delta Drone International Limited ("the Company") |
| ABN | 17 618 678 701 |
| Reporting Period | 30 June 2021 |
| Previous Corresponding Period | 30 June 2020 |
| Presentation Currency | Australian Dollars (\$) |

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | 30 June 2021 \$ | 30 June 2020 \$ | Increase/ (Decrease) % | Amount change \$ |
|--|--------------------|--------------------|------------------------------|------------------------|
| Revenues from ordinary activities | 2,492,832 | 1,626,010 | 53.31% | 866,822 |
| Profit/(loss) after tax from ordinary activities attributable to members | (1,495,123) | 103,377 | (1,546.28%) | 1,598,500 |
| Profit/(loss) after tax attributable to members | (1,495,123) | 103,377 | (1,546.28%) | 1,598,500 |

Comparisons to the previous corresponding period are comparison to historical information extracted from Delta Drone South Africa (Pty) Ltd and its wholly owned subsidiaries for the half-year ended 30 June 2020. Refer to Note 2 of the attached half-year 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:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached half-year financial report.

3. NET TANGIBLE ASSETS PER SHARE

| | 30 June 2021 (cents) | 30 June 2020 (cents) |
|--|-------------------------|-------------------------|
| Net tangible asset/(liability) backing per ordinary security (i) | 0.688 | (0.067) |

(i) The denominator for the net tangible liability calculation at 30 June 2020 has been adjusted to reflect the reverse acquisition in December 2020. The number of shares outstanding for the half-year ended 30 June 2020 is based on the number of Delta Drone International Limited's shares on issue as at 30 June 2021.

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

Control gained over entities

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

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 |
| Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material) | N/A |

5. DIVIDEND DETAILS

| |
|---|
| No dividend has been paid or recommended to be paid for the half-year ended 30 June 2021. |
|---|

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

| |
|----------------|
| Not Applicable |
|----------------|

7 DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

| |
|----------------|
| Not applicable |
|----------------|

8. FOREIGN ENTITIES

| |
|----------------|
| Not Applicable |
|----------------|

9. AUDIT

| |
|---|
| This report has been based on accounts that have been subject to an audit review. The accounts contain an independent review report that is subject to an Emphasis of Matter drawing attention to a material uncertainty related to going concern. The attached half-year financial report has been prepared on a going concern basis. There are no items of dispute with the auditor and the audit review is not subject to qualification. |
|---|



Mr Christopher Clark
Chief Executive Officer

30 August 2021



Delta Drone International Limited

ABN 17 618 678 701

**Half year report for the half-year ended
30 June 2021**

CONTENTS

| | |
|--|----|
| Corporate Directory..... | 1 |
| Directors' Report..... | 2 |
| Auditor's Independence Declaration..... | 4 |
| Independent Auditor's Report..... | 5 |
| Directors' Declaration..... | 7 |
| Consolidated Statement of Profit or Loss and Other Comprehensive income..... | 8 |
| Consolidated Statement of Financial Position..... | 9 |
| Consolidated Statement of Changes in Equity..... | 10 |
| Consolidated Statement of Cash Flows..... | 11 |
| Condensed notes to the consolidated financial statements..... | 12 |



CORPORATE DIRECTORY

Directors

| | |
|---------------------------|-------------------------|
| B. Gen (ret.) Eden Attias | Executive Chairman |
| Mr Christopher Clark | Chief Executive Officer |
| Mr Stephen Gorenstein | Non-Executive Director |
| Mr Nicolas Clerc | Non-Executive Director |
| Mr Christian Viguie | Non-Executive Director |
| Mr Clive Donner | Non-Executive Director |

Company Secretary

Mr Stephen Buckley

Registered Office (Australia)

Level 27, 101 Collins Street
Melbourne VIC 3000
Email: contact@dlti.com.au
Web: www.dlti.com.au

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Legal Advisers (Australia)

Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne VIC 3000

Legal Advisers (Israel)

Shibolet
Museum Tower
4 Berkowitz Street
Tel Aviv Israel 6423806

Legal Advisers (South Africa)

Rodl & Partner
1 Eastgate Lane
Bedfordview
South Africa 2007

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Tel: 1300 288 664 (Within Australia) | +61 2 9698 5414 (Outside Australia)
Fax: +61 8 9321 2337
Email: hello@automic.com.au
Web: www.automic.com.au

Securities Exchange Listing

ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6005

ASX Code

DLT

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

DIRECTORS' REPORT

The Directors of Delta Drone International Limited ("Delta Drone International" or "the Company") submit herewith the financial report of Delta Drone International Limited and its subsidiaries ("the Group") for the half-year ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names and the particulars of the Directors of the Company during or since the end of the half-year are:

| Name | Title | Appointed | Resigned |
|---------------------------|-------------------------|------------------|-----------------|
| B. Gen (ret.) Eden Attias | Executive Chairman | 13 June 2018 | - |
| Mr Christopher Clark | Chief Executive Officer | 3 December 2020 | - |
| Mr Stephen Gorenstein | Non-Executive Director | 17 October 2018 | - |
| Mr Nicolas Clerc | Non-Executive Director | 8 April 2021 | - |
| Mr Christian Viguie | Non-Executive Director | 8 April 2021 | - |
| Mr Clive Donner | Non-Executive Director | 14 July 2021 | - |
| Mr Chris Singleton | Non-Executive Director | 1 January 2019 | 14 July 2021 |
| Mr Dan Arazi | Non-Executive Director | 13 June 2018 | 21 June 2021 |

OPERATING AND FINANCIAL REVIEW

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

Key operational achievements for Delta Drone International Limited during and since the end of the half-year ended 30 June 2021 include:

- Establishing Australian headquarters
- New contracts with multinational enterprise companies, South32 Coal Holdings (Pty) Ltd (now Seriti Power), Anglo-American subsidiary, Kumba Iron Ore Limited, Perenti subsidiary, AMS African Mining Services and Syngenta
- Entered three new markets – Namibia, Zambia and Australia
- Signed largest integration deal in Company history with Doosan Mobility Innovation
- Added three additional services to core remit, light detection and ranging (LiDAR), security monitoring and advanced drone pilot training
- Post-balance date acquisition of Arvista Pty Ltd ("Arvista") to further strengthen Delta Drone's drone-based data service and technology solutions for its enterprise clients, and further accelerating the Company's growth in the Australian market

The half-year ended 30 June 2021 was a significant period of progress for Delta Drone International Limited. The Company grew its operations substantially, entering three new regions, signing contracts with some of the most well-known enterprise companies and establishing its Australian headquarters.

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

Delta Drone International achieved half-yearly revenue of \$2.5 million, up 53.3% on the prior corresponding period (pcp) which represents results for Delta Drone South Africa and its wholly owned subsidiaries only, attributed to continued growth in the South African market, entering new markets in Zambia, Namibia and Australia, and an OEM integration deal with Fortune 500 company Doosan Mobility Innovation.

The Company's Gross Profit increased to \$1.3 million, up 44.7% on pcp (the pcp results are those of Delta Drone South Africa and its wholly owned subsidiaries), with funds used to establish Australian headquarters, product manufacturing and operation costs along with staff and administration costs.

Delta Drone International incurred a loss of \$1.4 million for the half year ended 30 June 2021 which reflects the Company's current operations and cost management strategy, in using its current cash reserve to support current operational needs and future business growth in Australia.

Delta Drone International enters Q3,2021 with a healthy cash position of \$2.95 million to continue to grow the brand in Australia, expand sales channels, and increase operations in South Africa.

COVID-19

The impact of the coronavirus pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The situation is rapidly evolving and is dependent on measures imposed by the different Governments, such as maintaining social distancing requirements, quarantine, travel restrictions, ability to deliver goods, possible recession in certain countries and more.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected the operations of the Group or the results of those operations.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Christopher Clark
Chief Executive Officer
30 August 2021
Adelaide, Australia

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DELTA DRONE INTERNATIONAL LIMITED

As lead auditor for the review of Delta Drone International Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Delta Drone International Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a light blue horizontal line.

Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 30 August 2021

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Delta Drone International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Delta Drone International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 30 August 2021

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Christopher Clark
Chief Executive Officer

30 August 2021
Adelaide, Australia

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2021

| | Note | Half-year ended | |
|--|------|--------------------|----------------|
| | | 30 Jun 2021 | 30 Jun 2020 |
| | | \$ | \$ |
| Revenue | 3 | 2,492,832 | 1,626,010 |
| Cost of sales | | (1,144,999) | (694,241) |
| Gross profit | | 1,347,833 | 931,769 |
| Other income | | 36,621 | 67,384 |
| Loss from disposal of assets | | (1,601) | 3,421 |
| Employee benefits expenses | | (554,496) | (338,572) |
| Research and development expenses | | (441,353) | (3,144) |
| Sales and marketing expenses | | (214,168) | (26,695) |
| General and administrative expenses | 4 | (1,275,832) | (326,127) |
| Share-based payment expenses | 12 | (1,829) | - |
| Amortisation of intangible assets | 6 | (279,046) | (22,103) |
| Depreciation expenses | | (49,936) | (64,952) |
| (Loss)/profit before finance expenses | | (1,433,807) | 220,981 |
| Finance income | | 5,990 | 16,593 |
| Finance expenses | 4 | (42,809) | (6,875) |
| (Loss)/profit before income tax | | (1,470,626) | 230,699 |
| Income tax benefit/(expense) | | 6,988 | (64,731) |
| (Loss)/profit for the period | | (1,463,638) | 165,968 |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences | | 148,622 | 21,314 |
| Total comprehensive (loss)/income for the period | | (1,315,016) | 187,282 |
| (Loss)/profit for the period attributable to: | | | |
| Owners of Delta Drone International Limited | | (1,495,123) | 103,377 |
| Non-controlling interest | | 31,485 | 62,591 |
| | | (1,463,638) | 165,968 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of Delta Drone International Limited | | (1,352,686) | 131,392 |
| Non-controlling interest | | 37,760 | 55,890 |
| | | (1,315,016) | 187,282 |
| (Loss)/earnings per share | | | |
| Basic and diluted (cents per share) | | (0.006) | 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

HALF YEAR REPORT 30 JUNE 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 30 Jun 2021 \$ | 31 Dec 2020 \$ |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 2,946,532 | 5,182,923 |
| Trade and other receivables | | 1,205,095 | 964,746 |
| Deposits | | 30,832 | 35,531 |
| Inventory | | 466,027 | 490,315 |
| TOTAL CURRENT ASSETS | | 4,648,486 | 6,673,515 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 587,733 | 480,289 |
| Right-of-use assets | | 138,590 | 177,304 |
| Intangible assets | 6 | 4,424,956 | 4,702,730 |
| Goodwill | 7 | 2,289,719 | 2,259,414 |
| Deferred tax assets | | 31,974 | 50,930 |
| TOTAL NON-CURRENT ASSETS | | 7,472,972 | 7,670,667 |
| TOTAL ASSETS | | 12,121,458 | 14,344,182 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 633,043 | 922,600 |
| Bank overdraft | | - | 80,683 |
| Lease liability | | 37,809 | 79,194 |
| Other financial liability | 9 | 119,294 | 39,969 |
| Borrowings | 8 | - | 506,839 |
| TOTAL CURRENT LIABILITIES | | 790,146 | 1,629,285 |
| NON-CURRENT LIABILITIES | | | |
| Other financial liability | 9 | 309,133 | 364,201 |
| Deferred tax liability | | 719,157 | 761,169 |
| Lease liability | | 132,229 | 122,642 |
| TOTAL NON-CURRENT LIABILITIES | | 1,160,519 | 1,248,012 |
| TOTAL LIABILITIES | | 1,950,665 | 2,877,297 |
| NET ASSETS | | 10,170,793 | 11,466,885 |
| EQUITY | | | |
| Issued capital | 10 | 12,921,156 | 12,904,061 |
| Reserves | 11 | (966,741) | (968,570) |
| Foreign currency translation reserve | 11 | 562,282 | 419,845 |
| Accumulated losses | | (2,458,595) | (963,472) |
| Equity attributable to owners of the parent | | 10,058,102 | 11,391,864 |
| Non-controlling interest | | 112,691 | 75,021 |
| TOTAL EQUITY | | 10,170,793 | 11,466,885 |

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

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2021

| | 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 2020 | 1,159,854 | (968,570) | (35,357) | (779,513) | (623,586) | 7,425 | (616,161) |
| Profit for the period | - | - | - | 103,377 | 103,377 | 62,591 | 165,968 |
| Other comprehensive income/(loss) | - | - | 28,015 | - | 28,015 | (6,701) | 21,314 |
| Total comprehensive income for the period | - | - | 28,015 | 103,377 | 131,392 | 55,890 | 187,282 |
| <i>Transactions with owners in their capacity as owners:</i> | - | - | - | - | - | - | - |
| Balance at 30 June 2020 | 1,159,854 | (968,570) | (7,342) | (676,136) | (492,194) | 63,315 | (428,879) |
| Balance at 1 January 2021 | 12,904,061 | (968,570) | 419,845 | (963,472) | 11,391,864 | 75,021 | 11,466,885 |
| Profit/(loss) for the period | - | - | - | (1,495,123) | (1,495,123) | 31,485 | (1,463,638) |
| Other comprehensive income | - | - | 142,437 | - | 142,437 | 6,185 | 148,622 |
| Total comprehensive income/(loss) for the period | - | - | 142,437 | (1,495,123) | (1,352,686) | 37,670 | (1,315,016) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | |
| Issue of shares (<i>note 10</i>) | 20,939 | - | - | - | 20,939 | - | 20,939 |
| Share issue costs | (3,844) | - | - | - | (3,844) | - | (3,844) |
| Issue of Performance Rights (<i>note 12</i>) | - | 1,829 | - | - | 1,829 | - | 1,829 |
| Balance at 30 June 2021 | 12,921,156 | (966,741) | 562,282 | (2,458,595) | 10,058,102 | 112,691 | 10,170,793 |

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

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2021

| | Note | Half-year ended | |
|---|------|--------------------|------------------|
| | | 30 Jun 2021 | 30 Jun 2020 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | | 2,585,094 | 979,476 |
| Payments to suppliers and employees | | (3,970,841) | (545,031) |
| Interest received | | 5,924 | 16,593 |
| Finance expenses | | (21,493) | (6,800) |
| Taxes received/(paid) | | 6,207 | (38,555) |
| Net cash (used in) operating activities | | (1,395,082) | 405,683 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of plant and equipment | | (290,237) | (81,078) |
| Proceeds on disposal of plant and equipment | | 193 | 9,770 |
| Repayment of loans by third parties | | 4,541 | - |
| Refund of equipment deposit | | 6,631 | - |
| Net cash (used in) investing activities | | (278,872) | (71,308) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from exercise of options | 10 | 1,564 | - |
| Repayment of borrowings | | (545,365) | (161,364) |
| Net cash (used in) financing activities | | (543,801) | (161,364) |
| Net (decrease)/increase in cash and cash equivalents | | (2,217,755) | 173,011 |
| Cash and cash equivalents at the beginning of the period | | 5,182,923 | 784,604 |
| Impact of movement in foreign exchange rates | | (18,636) | (132,547) |
| Cash and cash equivalents at the end of the period | | 2,946,532 | 825,068 |

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

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

NOTE 1: GENERAL INFORMATION

These consolidated financial statements cover Delta Drone International Limited ("the Company" or "Delta Drone") and its controlled entities as a consolidated entity (also referred to as Group). Delta Drone is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity. The financial report is presented in Australian Dollar ("A\$") unless stated otherwise.

This half-year report was authorised for issue by the board of Directors on 30 August 2021.

NOTE 2: BASIS OF PREPARATION

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include full disclosure of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with any public announcements made by Delta Drone International Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the ASX Listing Rules.

The half-year report, except for cash flow information, has been prepared on an accruals basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the half-year report have been rounded off to the nearest dollar unless stated otherwise.

The accounting policies adopted are consistent with the accounting policies adopted in DLT's last annual financial report for the financial year ended 31 December 2020.

Going Concern

These consolidated financial statements have 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 half-year ended 30 June 2021 of \$1,463,638 (30 June 2020: profit of \$165,968), net cash outflows used in operating activities was \$1,395,082 (30 June 2020: net cash inflow from operation of \$405,683). As at 30 June 2021, the Group had \$2,946,532 in cash and cash equivalents (31 Dec 2020: \$5,182,923).

The COVID-19 pandemic is ongoing and it is not practicable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the different Governments around the globe.

Whilst the Company is expected to be cash-flow negative for the foreseeable future as a result of continued expenditures, the ability of the Group to continue as a going concern is dependent on securing additional funding through equity to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors of the Company are of the opinion that the Group is in a position to carry on operations in the foreseeable future and that it will be able to realise its assets and discharge its liabilities in the normal course of business. The Directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- the Group has recently been successful in raising equity and is planning to raise further funds. On 22 December 2020, 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, with funds being utilised on the Group's drone-based services and technology services;

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

- the level of expenditure can be managed; and
- the Directors of the Group have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services.

Should the Group 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 through equity 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 Group not continue as a going concern and meet its debts as and when they become due and payable.

The Directors believe there are sufficient funds for the Group to meet its obligations and liabilities for at least twelve (12) months from the date of this report.

Significant estimates, judgements and key assumptions

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that COVID-19 has had, or may have on the Group based on known information. This consideration extends to the nature of products and services offered, customers, supply-chain, staffing and geographic regions in which the Group operates. Other than as addressed in the Directors' Report and in specific notes, there does not currently appear to be any material impact on the financial statements with respect to events or conditions which may impact the Group unfavourably as at the reporting date.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account recent sales experiences, the ageing of inventories and other factors that affect inventory obsolescence.

Share based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

The estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market-based vesting conditions.

Fair value of long-term liabilities

Israeli Innovation Authority grants: The Group measured its liability on governmental grant received, each period, based on discounted cash flows derived from the Group's anticipated revenues. The grant is repayable upon the Group commencing product commercialisation and generating revenue from sale of product, with repayments being based on 3% of each dollar of revenue. As required by AASB 9 *Financial Instruments*, the liability has been recognised at fair value on initial recognition and subject to management's estimate of discount rate and the timing and quantity of future revenues.

Impairment

Judgement is required in assessing whether goodwill has suffered any impairment on an annual basis. In assessing impairment at the reporting date, management has relied on paragraph 12(d) of AASB 136 *Impairment of Assets*. Management has compared the net assets of the Group against the market capitalisation of the Group as at reporting date and is of the view that there is no indicator of impairment.

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

Comparatives in this half-year report

On 3 December 2020, shareholders of Delta Drone International Limited ("Delta Drone" or "DLT") 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 was 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).

(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 6 months ended 30 June 2021 for DLT.
- ❖ The statement of profit or loss and other comprehensive income for the half-year ended 30 June 2020 comprises the results of DDSA and its wholly-owned subsidiaries only.

(ii) Statement of Financial Position

- ❖ The statement financial position as at 30 June 2021 represents DLT.
- ❖ The statement of financial position as at 31 December 2020 represents the combination of DDSA and its wholly-owned subsidiaries with DLT.

(iii) Statement of Change in Equity

- ❖ The statement of changes in equity comprises the half-year for DLT for the 6 months ended 30 June 2021.
- ❖ The statement of changes in equity comparatives comprise the half-year for DDSA and its wholly-owned subsidiaries for the 6 months ended 30 June 2020.

(iv) Statement of Cash Flows

- ❖ The statement of cash flows comprises the half-year of DLT for the 6 months ended 30 June 2021.
- ❖ The statement of cash flows comparative comprises the half-year of DDSA and its wholly-owned subsidiaries for the 6 months ended 30 June 2020.

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021**

| | 30 Jun 2021 | 30 Jun 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 3: REVENUE | | |
| Disaggregation of revenue from contracts with customers: | | |
| Rendering of services | 2,492,832 | 1,626,010 |
| Rental income | - | - |
| Total | 2,492,832 | 1,626,010 |

Timing of revenue recognition

| | | |
|--------------------|-----------|-----------|
| At a point in time | - | - |
| Over time | 2,492,832 | 1,626,010 |
| Total | 2,492,832 | 1,626,010 |

Geographic information

Revenues reported in the financial statements are derived from the following geographic regions:

| | | |
|---------------------------------------|-----------|-----------|
| EMEA (Europe, Middle East and Africa) | 2,010,297 | 1,626,010 |
| NA (North America) | 286,300 | - |
| APAC (Asia-Pacific) | 196,235 | - |
| Total revenue | 2,492,832 | 1,626,010 |

NOTE 4: EXPENSES

Loss before income tax from continuing operations includes the following specific expenses:

General and administration expenses:

| | | |
|---|-----------|---------|
| - Consulting and professional expenses | 353,082 | 61,008 |
| - IT expenses | 80,423 | 72,715 |
| - Legal expenses | 122,664 | 30,855 |
| - Insurances | 62,237 | 11,275 |
| - Occupancy expenses | 58,403 | 38,635 |
| - Advertising and marketing | 48,005 | 5,724 |
| - Other expenses | 551,018 | 105,915 |
| Total general and administration expenses | 1,275,832 | 326,127 |

Finance expenses:

| | | |
|---------------------------------|--------|-------|
| - Interest and bank fees | 19,169 | 75 |
| - Interest on lease liabilities | 6,999 | 6,800 |
| - Exchange rate differences | 16,642 | - |
| Total finance expenses | 42,809 | 6,875 |

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021**

NOTE 5: PLANT AND EQUIPMENT

| | 30 Jun 2021 | 31 Dec 2020 |
|--------------------------|--------------------|--------------------|
| | \$ | \$ |
| Cost | 1,981,263 | 1,662,122 |
| Accumulated depreciation | (1,393,530) | (1,181,833) |
| Net carrying amount | 587,733 | 480,289 |

| | Opening balance | Additions | Disposals | Foreign exchange movements | Depreciation | Closing balance |
|---------------------------|----------------------------|------------------|------------------|---|---------------------|----------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 30 June 2021 | | | | | | |
| Survey equipment | 18,961 | - | - | 299 | (15,881) | 3,379 |
| Furniture and fixtures | 56,221 | 2,418 | - | 1,442 | (4,989) | 55,092 |
| Motor vehicles | 20,281 | 32,307 | - | 489 | (4,794) | 48,283 |
| Office equipment | 12,533 | 3,567 | - | 536 | (4,050) | 12,586 |
| IT equipment | 46,711 | 27,580 | - | 4,065 | (21,231) | 57,125 |
| Leasehold improvements | 16,285 | - | - | 713 | (3,148) | 13,850 |
| Drone accessories | 108,159 | 124,874 | - | 5,544 | (60,222) | 178,355 |
| Small assets | - | 4,873 | - | (204) | (4,669) | - |
| Drones | 183,831 | 81,739 | (1,475) | 6,430 | (78,400) | 192,126 |
| Other fixed assets | 287 | - | (196) | 11 | (102) | - |
| Capital works in progress | 17,019 | 9,031 | - | 887 | - | 26,937 |
| | 480,289 | 286,389 | (1,671) | 20,212 | (197,486) | 587,733 |

| | Opening balance | Additions | Disposals | Foreign exchange movements | Depreciation | Closing balance |
|---------------------------|----------------------------|------------------|------------------|---|---------------------|----------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 December 2020 | | | | | | |
| Survey equipment | - | 31,762 | - | - | (12,801) | 18,961 |
| Furniture and fixtures | 24,924 | 40,202 | - | (3,150) | (5,755) | 56,221 |
| Motor vehicles | 12,259 | 12,339 | - | (957) | (3,360) | 20,281 |
| Office equipment | 12,353 | 4,483 | - | (1,492) | (2,811) | 12,533 |
| IT equipment | 101,471 | 17,398 | (5,556) | (14,227) | (52,375) | 46,711 |
| Leasehold improvements | 35,644 | 14,195 | - | (4,629) | (28,925) | 16,285 |
| Drone accessories | 67,203 | 126,060 | (4,802) | (11,312) | (68,990) | 108,159 |
| Small assets | - | 6,163 | - | - | (6,163) | - |
| Drones | 318,647 | 108,319 | (1,925) | (39,605) | (201,604) | 183,831 |
| Other fixed assets | 563 | - | - | (73) | (203) | 287 |
| Capital works in progress | - | 17,019 | - | - | - | 17,019 |
| | 573,064 | 377,940 | (12,283) | (75,445) | (382,987) | 480,289 |

DELTA DRONE INTERNATIONAL LIMITED

HALF YEAR REPORT 30 JUNE 2021

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021**

NOTE 6: INTANGIBLES

| | Cost | Accumulated amortisation | Carrying value |
|------------------------------------|------------------|-----------------------------|------------------|
| | \$ | \$ | \$ |
| 30 June 2021 | | | |
| Brand names | 32,607 | (28,259) | 4,348 |
| Licenses to operate | 130,428 | (113,038) | 17,390 |
| Client contracts and relationships | 210,120 | (210,120) | - |
| Domain, manuals and processes | 102,013 | (100,833) | 1,180 |
| USA licenses | 1,569,000 | (103,365) | 1,465,635 |
| Technology | 734,000 | (48,356) | 685,644 |
| Customer relationships | 2,376,000 | (125,241) | 2,250,759 |
| | <u>5,154,168</u> | <u>(729,213)</u> | <u>4,424,956</u> |

31 December 2020

| | | | |
|------------------------------------|------------------|------------------|------------------|
| Brand names | 30,990 | (23,759) | 7,231 |
| Licenses to operate | 123,960 | (95,036) | 28,924 |
| Client contracts and relationships | 199,700 | (199,700) | - |
| Domains, manuals and processes | 96,956 | (94,992) | 1,963 |
| USA licenses | 1,569,000 | (5,370) | 1,563,630 |
| Technology | 734,000 | (2,512) | 731,488 |
| Customer relationships | 2,376,000 | (6,506) | 2,369,494 |
| | <u>5,130,606</u> | <u>(427,875)</u> | <u>4,702,730</u> |

Reconciliation of intangible assets

| | Opening balance | Additions through Business Combination | Foreign exchange movement | Amortisation | Total |
|-------------------------------|--------------------|--|------------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 30 June 2021 | | | | | |
| Brand names | 7,231 | - | 242 | (3,125) | 4,348 |
| Licenses to operate | 28,924 | - | 965 | (12,499) | 17,390 |
| Domain, manuals and processes | 1,963 | - | 65 | (848) | 1,180 |
| USA licenses | 1,563,630 | - | - | (97,995) | 1,465,635 |
| Technology | 731,488 | - | - | (45,844) | 685,644 |
| Customer relationships | 2,369,494 | - | - | (118,735) | 2,250,759 |
| | <u>4,702,730</u> | <u>-</u> | <u>1,272</u> | <u>(279,046)</u> | <u>4,424,956</u> |

31 December 2020

| | | | | | |
|-------------------------------|---------------|------------------|-----------------|-----------------|------------------|
| Brand names | 15,435 | - | (2,005) | (6,199) | 7,231 |
| Licenses to operate | 61,741 | - | (8,022) | (24,795) | 28,924 |
| Domain, manuals and processes | 9,843 | - | (1,278) | (6,602) | 1,963 |
| USA licenses | - | 1,569,000 | - | (5,370) | 1,563,630 |
| Technology | - | 734,000 | - | (2,512) | 731,488 |
| Customer relationships | - | 2,376,000 | - | (6,506) | 2,369,494 |
| | <u>87,019</u> | <u>4,679,000</u> | <u>(11,308)</u> | <u>(51,984)</u> | <u>4,702,730</u> |

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

NOTE 7: GOODWILL

| | Opening balance \$ | Additions \$ | Impairment loss \$ | Foreign exchange movement \$ | Total \$ |
|--|--------------------------|------------------|--------------------------|------------------------------------|------------------|
| 30 June 2021 | | | | | |
| Goodwill – Rocketmine South Africa (Pty) Ltd | 570,130 | - | - | 29,748 | 599,878 |
| Goodwill – Rocketmine Limited | 10,694 | - | - | 557 | 11,251 |
| Goodwill – Delta Drone International Limited | 1,678,590 | - | - | - | 1,678,590 |
| | <u>2,259,414</u> | <u>-</u> | <u>-</u> | <u>30,305</u> | <u>2,289,719</u> |
| 31 December 2020 | | | | | |
| Goodwill – Rocketmine South Africa (Pty) Ltd | 655,298 | - | - | (85,168) | 570,130 |
| Goodwill – Rocketmine Limited | 12,292 | - | - | (1,598) | 10,694 |
| Goodwill – Delta Drone International Limited | - | 1,678,590 | - | - | 1,678,590 |
| | <u>667,590</u> | <u>1,678,590</u> | <u>-</u> | <u>(86,766)</u> | <u>2,259,414</u> |

NOTE 8: BORROWINGS

| | 30 Jun 2021 \$ | 31 Dec 2020 \$ |
|----------------------|-------------------|-------------------|
| CURRENT | | |
| Short-term loans (i) | - | 506,839 |
| | <u>-</u> | <u>506,839</u> |

(i) The 2020 figure represents a short-term bridge financing by way of an unsecured line of credit ("loan") of \$500,000 advanced by Delta Drone SA France with an interest rate of 10% per annum. The loan and the accrued interest were repaid during the half-year ended 30 June 2021.

NOTE 9: OTHER FINANCIAL LIABILITIES

| | 30 Jun 2021 \$ | 31 Dec 2020 \$ |
|--|-------------------|-------------------|
| CURRENT | | |
| Liability for Israel Innovation Authority Grants | <u>119,294</u> | <u>39,969</u> |
| NON-CURRENT | | |
| Liability for Israel Innovation Authority Grants | <u>309,133</u> | <u>364,201</u> |

ParaZero Technologies ("ParaZero Israel") (the Group's subsidiary) received funding from the Israeli Innovation Authority (IIA) for its participation in research and development costs, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. ParaZero Israel is committed to pay royalties to the IIA on proceeds from sale of products in the research and development of which the IIA participates by way of grants. According to the funding terms, royalties of 3%-3.5% are payable on sales of developed products funded, up to 100% of the grant received by ParaZero Israel, linked to the US dollar and bearing libor interest rate. In the case of failure of a financed project, ParaZero Israel is not obligated to pay any such royalties to the IIA.

DELTA DRONE INTERNATIONAL LIMITED
HALF YEAR REPORT 30 JUNE 2021

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

| NOTE 10: ISSUED CAPITAL | 30 Jun 2021 | 31 Dec 2020 |
|---|----------------------|--------------------|
| | \$ | \$ |
| (a) Share Capital | | |
| 502,004,932 (31 Dec 2020: 500,800,731) fully paid ordinary shares | 12,921,156 | 12,904,061 |
| (b) Movement in ordinary capital | No. of shares | Total \$ |
| Opening balance as at 1 January 2021 | 500,800,731 | 12,904,061 |
| Issue of shares (i) | 579,201 | 1,564 |
| Issue of shares to third-party (ii) | 625,000 | 19,375 |
| Share issue costs | - | (3,844) |
| Closing balance as at 30 June 2021 | 502,004,932 | 12,921,156 |

(i) Issue of shares on exercise of 579,201 unlisted options at \$0.0027 per share on 10 February 2021.

(ii) Issue of shares to a third party for marketing services rendered at \$0.031 per share on 10 March 2021.

(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 11: RESERVES | 30 Jun 2021 | 31 Dec 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Share-based payment reserve (i) | 1,829 | - |
| Foreign currency translation reserve (ii) | 562,282 | 419,845 |
| Predecessor accounting reserve (iii) | (968,570) | (968,570) |
| | (404,459) | (548,725) |

(i) Share-based payment reserve

| Movements in share-based payment reserve | 30 Jun 2021 | |
|---|--------------------|--------------|
| | No. | \$ |
| Opening balance at 1 January 2021 | 15,026,696 | - |
| Grant of Performance Rights (refer to note 12) | 14,000,000 | 1,829 |
| Closing balance at 30 June 2021 | 29,026,696 | 1,829 |

(ii) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

(iii) Predecessor accounting reserve

The predecessor accounting reserve comprises the excess of purchase price over the fair value of net assets when the common controlled entity, Drone Safety and Legal (Pty) Ltd was acquired by Delta Drone SA France.

DELTA DRONE INTERNATIONAL LIMITED**HALF YEAR REPORT 30 JUNE 2021****CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021****NOTE 12: SHARE BASED PAYMENTS**

During the half-year ended 30 June 2021, the Company recorded the following share-based payments:

- The grant of 14,000,000 Performance Rights to Directors of the Company which will convert to new shares according to certain Performance Milestones ("Milestones"). Shareholders of the Company approved the issue of the Performance Rights at the Annual General Meeting of the Company held on 24 June 2021. As at the date of this report, Performance Rights to Mr. Eden Attias are yet to be issued.

As at 30 June 2021, an expense of \$1,829 has been recognised as share-based payment in the statement of profit or loss and other comprehensive income which represents the value from 24 June 2021 (grant date) to 30 June 2021. Total value of the 14,000,000 Performance Rights will be expensed over management's expected vesting period of 3 years.

The details of allottees and the Milestones are described in the tables below:

| Name | No. of Performance Rights | Milestones |
|---------------------------------------|---------------------------|----------------|
| Eden Attias | 6,000,000 | New Milestones |
| Christopher Clark | 2,000,000 | DDG Milestones |
| Christopher Clark | 4,000,000 | New Milestones |
| Stephen Gorenstein | 1,000,000 | New Milestones |
| Chris Singleton (ceased 14 July 2021) | 1,000,000 | New Milestones |

DDG Milestones

| Milestone | Description |
|-----------------|--|
| DDG Milestone 1 | DDSA achieving consolidated revenue (for the avoidance of doubt, only DDSA and excluding the Group) for any full financial year (being 1 Jan to 31 Dec) during the three-year term of the Performance Rights of not less than US\$3,200,000 (based on audited accounts having been prepared by an external auditor or other suitable expert). |
| DDG Milestone 2 | If DDSA enters into at least two 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 than US\$1,000,000 (based on audited accounts having been prepared by an external auditor or other suitable expert) of verified revenue in aggregate from such executed contracts received within the three-year term of the Performance Rights for its Services. |
| DDG Milestone 3 | If during the three-year term of the Performance Rights, 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 a revenue in that new geographic location of not less than US\$1,000,000 (based on audited accounts having been prepared by an external auditor or other suitable expert). |

Note: DDSA means Delta Drone South Africa and its current subsidiaries, Drone Safety and Legal, Rocketmine South Africa, Rocketmine Ghana and Rocketmine Australia.

DELTA DRONE INTERNATIONAL LIMITED**HALF YEAR REPORT 30 JUNE 2021****CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021*****New Milestones***

| Milestones | Description |
|-------------------|---|
| New Milestone 1 | The Group achieving consolidated revenue of not less than A\$10,000,000 in a single financial year (being 1 Jan to 31 Dec) (based on audited accounts having been prepared by an external auditor or other suitable expert). |
| New Milestone 2 | The Group achieving total consolidated EBITDA of not less than A\$1,000,000 in a single financial year (being 1 Jan to 31 Dec) (based on audited accounts having been prepared by an external auditor or other suitable expert). |
| New Milestone 3 | The Company achieving a total return on equity of not less than 10% in a single financial year (being 1 Jan to 31 Dec), where return on equity is equal to net profit as a percentage of total equity (based on audited accounts having been prepared by an external auditor or other suitable expert). |

NOTE 13: OPERATING SEGMENTS**Segment Information****Identification of reportable segments**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources. As at 30 June 2021, the Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

NOTE 14: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 30 June 2021 (31 Dec 2020: nil).

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

On 14 July 2021, the Company appointed Mr Clive Donner to the Board of Directors following the resignation of Mr Chris Singleton.

On 15 July 2021, the Company announced its expansion into Mali after being appointed by Barrick Gold (Holdings) Limited, a subsidiary of multinational gold mining company Barrick Gold Corporation, for advanced light detection and ranging (LIDAR) services with a contract value of \$25,000.

On 20 July 2021, the Company announced that its mining specialist brand, Rocketmine, secured a deal for survey mapping, blast monitoring and inspection services with Rustenberg Platinum Mines Limited, a wholly owned subsidiary of Anglo-American Platinum Limited, the world's largest producer of Platinum, at its Mogalakwena site in South Africa. The agreement is worth approximately \$120,000.

On 16 August 2021, the Company announced it had entered into a conditional Share Purchase Agreement to acquire 60% of Arvista Pty Ltd ("Arvista") and a Shareholders Agreement relating to Arvista which includes a Call Option to acquire the remaining 40% of Arvista in the future. Arvista is a Perth-based provider of aerial and terrestrial surveying services for the mining, engineering and construction industries.

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 Group is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations in the 2021 financial year.

There were no other material events after the reporting period other than the above.