



ASX Announcement

DLT SEPTEMBER Q3 FY2022 QUARTERLY REPORT
Continued Strong ARR and TCV Growth Following Contract Wins in Recent Quarters

HIGHLIGHTS

- Revenue from continuing operations A\$1.341m in Q3 FY2022, down 7%, on Q2 FY2022; Annual Recurring Revenue (ARR) accounted for 40% of total revenue
- Cash receipts from customers A\$1.369m in Q3 FY2022, up 3% on Q2 FY2022
- Annual Recurring Revenue (ARR) was A\$2.044m at the end of the September quarter, up 20% on Q2 FY2022
- Total contract value (TCV) was A\$4.434m at the end of the September quarter, up 16% on Q2 FY2022
- Material contract signed with Assmang Khumani Iron Ore Mine (a leading mine in South Africa): 3-year contract with TCV A\$880k and ARR of A\$293k
- Post quarter end, the material contract with Anglo American – Mogalakwena platinum mine South Africa (announced 17 October) provides additional TCV of \$516k and ARR of \$258k (excluded from September quarter end position above)
- Cash balance of A\$2.342 million at 30 September 2022, excluding A\$1.037m relating to the sale of ParaZero held in escrow until late February 2023

27 October 2022 – Drone based data systems provider, **Delta Drone International Limited or DLT (ASX: DLT)** is pleased to provide the business update for the quarter ending 30 September 2022 (Q3 FY2022), along with its Appendix 4C quarterly cash flow report.

Delta Drone International CEO Christopher Clark said: “We are truly appreciative of our customers, who recognise the benefits and savings from our geospatial and drone data solutions. Their confidence is best observed in our growing ARR & TCV numbers, as they convert their ad-hoc purchases to long-term commitments.

Cash receipts remain consistent and we are pleased to have converted some month-to-month cash receipts to locked in cash streams for the future, as indicated by our growing TCV and ARR.

We are focused on continuing our growth strategy, while keeping a strong control on corporate overheads. Our teams are currently working on a new technology solution, which we will announce in due course, which has been designed to address the pain points of our current customers and target market in this high-inflationary economic cycle.”

1. FINANCIAL OVERVIEW

Revenue from continuing operations (unaudited) for the September quarter was A\$1.341m, down 7% on Q2 FY2022 due to a reduction in one-off revenue from project work in Australia and Africa.

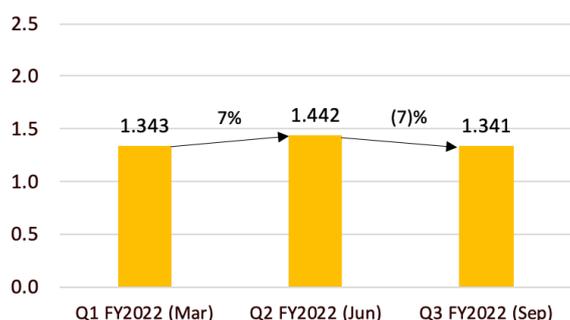
Contracted annual recurring revenue (ARR) was 40% of total revenue (up from 29% in quarter 2). This increase was driven in part by new contracts (such as Assmang Khumani Iron Ore) which prior to contract formalisation were already being billed on an ongoing month to month basis (see below section on revenue definitions by type). The increase was also driven in part by the full quarter (rather than part quarter) revenue of contracts which commenced in quarter 2, such as Seriti Coal and the Exxaro contract extension.

Growing the ARR component of overall revenue is a focus of the Company when tendering its services. Australian operations accounted for 31% of group revenue in the quarter (37% in Q2 FY2022).

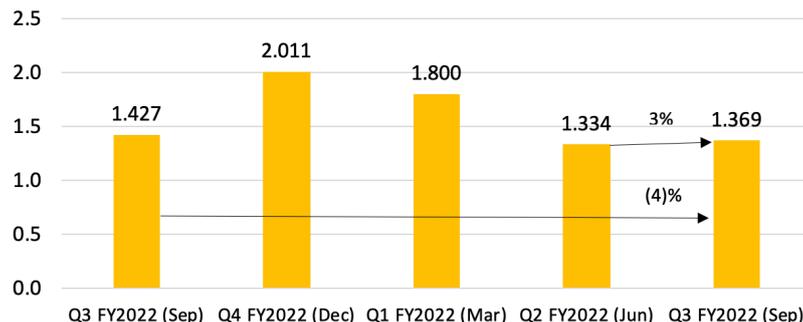
Cash receipts from customers for the September quarter, Q3 FY2022, totalled A\$1.369m, a 3% increase on Q2 FY2022 and down 4% on Q3 FY2021 (Q3 FY2021 included ParaZero).

Note: differences between quarterly cash receipts and revenue may occur due to the 1) cash collection cycle and 2) revenue recognition on contracts and projects including anniversary dates of when contracts started.

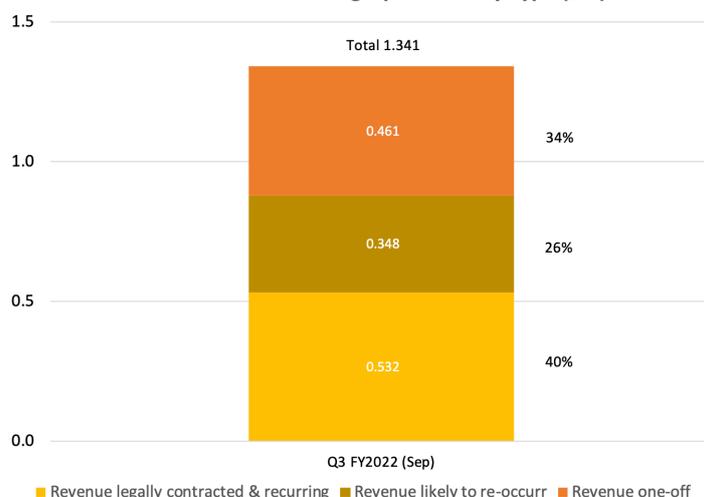
Revenue from Continuing Operations (\$m)



Cash Receipts from Customers (\$m)



Revenue from Continuing Operations by Type (\$m)



Revenue definitions by type:

(A) Revenue legally contracted and recurring: revenue from legal contracts with minimum original terms of 12 months, subject to normal termination provisions per each contract. The TCV and ARR measures set out in the section below contain only this type of contract.

(B) Revenue likely to re-occur: revenue which management have a reasonable expectation will reoccur in the future either because it has been historically demonstrated to re-occur or because we hold rolling short term purchase orders or legal contracts which are less than 12 months in original length.

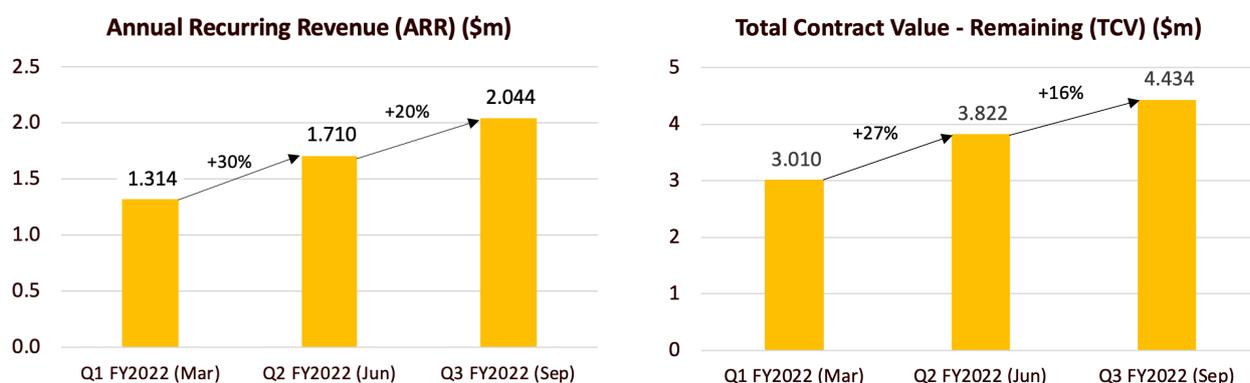
(C) Revenue one-off: revenue which does not meet the above definitions (these are typically one-off short projects)

TCV and ARR

Annual Recurring Revenue (ARR) is A\$2.044m at the end of the September quarter, up 20% on Q2 FY2022, subject to normal termination provisions per each contract.

Total contract value (TCV) is \$4.434m at the end of the September quarter, up 16% on Q2 FY2022. TCV and ARR grew in the quarter due to signing of new contracts, in particular, Assmang Khumani Iron Ore.

TCV is the total value of all remaining contracts (only contracts that had a minimum of 12 months original duration are included) and is net of monthly contract depletion (i.e. the revenue remaining to be collected until end of contract life). Key contracts in the TCV include with Assmang Khumani Iron Ore, Red 5, Seriti (multiple), Exxaro, South32 (multiple) and Newmont (multiple). Note that the 30 September 2022 TCV and ARR figures exclude the benefit of the material contract with Anglo American Mogalakwene mine announced on 17 October 2022. ARR and TCV may be impacted by exchange rate fluctuations.



2. COMMERCIAL UPDATE

Material contracts signed during the period:

Assmang Khumani Iron Ore

A 3-year contract was signed with Assmang Proprietary Limited's Khumani Iron Ore Mine in South Africa for survey mapping and blast inspections. The contract has a TCV of A\$880k and ARR of A\$293k. See ASX announcement [27 July 2022](#).

Khumani Iron Ore Mine is a leading iron ore mine controlled jointly by Assore Limited and African Rainbow Minerals, both shareholders are listed on the JSE Limited.

Post quarter end:

Anglo American – Mogalakwena platinum mine

A 2-year (remaining) contract was signed with Anglo American – Mogalakwena platinum mine (South Africa). The contract has a remaining TCV A\$516k and ARR A\$258k. See ASX announcement 17 October 2022.

Anglo American is one of the world's largest miners and is listed on the Johannesburg Securities Exchange (JSE). Mogalakwena is the world's largest open pit platinum mine.

Smaller contracts signed during the period (individually non-material, not previously announced):

Seriti Energy

A 1-year contract addition was signed with Seriti in South Africa for survey drone services.

Multigeomatics

An ad-hoc project was agreed with Multigeomatics in Ghana for drone services for mine planning using photogrammetry and lidar, over a 3-month period.

3. CORPORATE

Market engagement subsequent to the end of the quarter

- **Australian Microcap Investment Conference:** DLT presented at the conference on Tuesday 18 October (Sofitel, Melbourne).
- **TechKnow Invest Roadshow:** DLT will present at the conference on Monday 7 November at (2:45pm, Grand Hyatt, Melbourne) and on Wednesday 9 November (9:45 am, Radisson Blu Plaza Hotel, Sydney).

Auditor: Company changed auditors to Hall Chadwick Audit (WA) Pty Ltd from BDO Audit (WA) Pty Ltd (ASX announcement [5 July 2022](#)).

Cash: The cash balance at 30 September 2022 was A\$2.342m. This balance excludes A\$1.037m currently held in escrow, which is subject to potential warranties, claims and withholding tax agreements, related to the ParaZero divestment, to be settled by late February 2023. The amount expected to be released from escrow to DLT was reduced by A\$113k during the quarter following the resolution of two tax matters.

The funding runway shown in the Appendix 4C under Section 8.5 of 8.43 quarters excludes the A\$1.037m in escrow, which if included would extend the runway to 10.21 quarters as at 30 September 2022

4. APPENDIX 4C

Major cash outflows from operating payments comprised:

- A\$478k on continuing business operating costs
- A\$764k on continuing business staff costs
- A\$711k on continuing business administration and corporate costs.

Pursuant to ASX Listing Rule 4.7C.2, the Company provides the below table as a comparison of actual expenditure against the "use of funds" table as disclosed in the Prospectus dated 10 November 2020 ("Prospectus") (ASX announcement of 10 November 2020):

Use of Funds Under Prospectus	Budgeted Expenditure Amount (\$M)	Actual Expenditure Amount (\$M)
Costs to establish an Australian Head Office	(0.57)	(0.35)
Expenditure on Australian Sales and Marketing Activities	(0.86)	(0.67)
Costs associated with Expansion of South African operations	(0.41)	(2.25)
R&D Expenses	(1.81)	(2.01)
Working capital	(0.60)	(7.73)
Transaction Fees and Expenses	(0.75)	(0.79)
TOTAL	(5.00)	(13.80)
Less: Working capital for Arvista (newly acquired)¹		(0.68)
Add: Opening cash prior to IPO		0.22
Add: Proceeds from IPO		5.00
Add: Receipts from Customers		10.52
Add: Cash received from divestiture of ParaZero		4.06
Less: Product Manufacturing and Direct Operating Costs		(2.98)
Remaining cash at 30 June 2022 as disclosed in Appendix 4C		2.34

As per item 6 of the attached Appendix 4C cash flow report for the quarter, payments to related parties and their associates of A\$191k comprised of:

- Chris Clark: \$61k for director fees and \$18k paid to a related party
- Paul Williamson: \$55k for CFO services provided under his executive agreement, noting that Paul is not being paid additional fees for his director duties and \$2k to a related party of Paul for office building maintenance
- Eden Attias: \$54k for second and final termination fee payment

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

-ENDS-

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About Delta Drone International www.dlti.com.au

Delta Drone International is a ASX listed (ASX: DLT) multi-national drone-based data service and technology solutions provider for the mining, agricultural and engineering industries.

Services are 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.

Revenues are generated through multi-year recurring revenue contracts and short projects which also have the potential to be recurring. Key customer contracts include with tier 1 and tier 2 miners, South32, Newmont Mining, Red 5 and Seriti Coal.

DLT's operations are focused on Australia and Africa with regional offices in Perth, Johannesburg & Accra.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DELTA DRONE INTERNATIONAL LIMITED

ABN

17 618 678 701

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,369	4,503
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(363)	(1,023)
(c) advertising and marketing	(68)	(207)
(d) leased assets	(47)	(140)
(e) staff costs	(764)	(2,680)
(f) administration and corporate costs	(711)	(1,895)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	12
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes (paid)/received	(1)	26
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(5)	4
1.9 Net cash from / (used in) operating activities	(585)	(1,401)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	(274)
	(c) property, plant and equipment	(209)	(669)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	4,057
	(c) property, plant and equipment	-	69
	(d) investments	-	20
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(2)
2.4	Dividends received (see note 3)	-	-
2.5	Other (equipment deposits)	-	9
2.6	Net cash from / (used in) investing activities	(209)	3,210

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	
3.5	Proceeds from borrowings	-	40
3.6	Repayment of borrowings	(30)	(410)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(30)	(370)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,185	955
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(585)	(1,401)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(209)	3,210
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(30)	(370)
4.5	Effect of movement in exchange rates on cash held	(19)	(52)
4.6	Cash and cash equivalents at end of period	2,342	2,342

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,337	3,166
5.2	Call deposits	5	19
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,342	3,185

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	191
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	2,580	80
7.2	Credit standby arrangements	114	23
7.3	Other (short term bridge financing)	134	134
7.4	Total financing facilities	2,828	237
7.5	Unused financing facilities available at quarter end		2,591
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>7.1: Unsecured loan facility of \$2,500K from Delta Drone SA (France) bearing interest of 2.5% per annum on all drawn amounts. As at 30 September 2022, none of this was drawn down. Unsecured and interest free shareholder loan of \$80K from Entech Pty Ltd.</p> <p>7.2: Unsecured credit card (A\$2K) bearing interest 20.00%, unsecured loan from Nedbank (A\$6K) bearing interest 9.75%, unsecured loan from Sasfin bank (A\$86K) bearing interest 17.75% and unsecured credit card (A\$20k) bearing interest of 20.24%.</p> <p>7.3: Motor vehicle financing of (\$55K) and (\$52K) from Toyota Finance bearing interest of 2.90% and 4.54% respectively. Insurance funding of (\$6K) and (\$12K) from QPR Limited bearing interest of 3.39% and 3.95% respectively, insurance funding (\$8K) from Hunter Premium Funding bearing interest of 10.18% .</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(585)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,342
8.3	Unused finance facilities available at quarter end (item 7.5)	2,591
8.4	Total available funding (item 8.2 + item 8.3)	4,933
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.43
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2022

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.