



ASX Announcement

DELTA DRONE INTERNATIONAL TO EXPAND ITS AUSTRALIAN DRONE-BASED SERVICES THROUGH ACQUISITION OF ARVISTA PTY LTD

Highlights:

- Delta Drone International to acquire a majority stake in Arvista Pty Ltd – a Perth-based provider of aerial and terrestrial surveying services for the mining, engineering and construction industries. Established in 2012, Arvista has strong experience in providing unmanned aerial vehicles (UAV) services with a growing client base
- Acquisition is to further strengthen Delta Drone's drone-based data service and technology solutions for its enterprise clients, and this is expected to further accelerate the Company's growth in the Australian market
- Delta Drone to initially acquire 60% of Arvista for a purchase price of around \$960,00 (based on an enterprise value of \$1.6 million), in a combination of cash and scrip, with a Call Option to acquire the remaining 40% of Arvista in the future

16 August 2021 – Global Drones-as-a-service provider Delta Drone International Limited **ASX:DLT** (**Delta Drone** or the **Company**) today announced that it has 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. Established in 2012, it was one of the first certified operators in Western Australia to provide commercial UAV surveying services to mining and other civil construction and earthworks projects.

As part of the due diligence process, the Company engaged independent specialists to undertake legal, financial and operational reviews of Arvista. Management also conducted an independent assessment of the business suitability and growth opportunities and concluded that the acquisition of a strategic stake in Arvista not only provides DLT with an immediate presence in Australia, but also with an experienced team of drone aerial survey operators which currently serves a contracted client base of mining and other engineering-related companies, to capture important survey data and other important information.

The acquisition of 60% of the shares in Arvista is expected to be completed within 30 days on the terms and conditions noted below, following the satisfaction or waiver of the conditions precedent mentioned below.

Commenting on the acquisition, Delta Drone CEO, Christopher Clark said, "Arvista is an excellent strategic fit for Delta Drone's operations in Australia. The company has an excellent reputation and a blue-chip client base, serviced by an experienced and professional staff who are keen to utilise our co-ordinated services approach to grow the market opportunity.

"We look forward to not only growing with the Arvista team, based on their experience and relationships in Western Australia, but to also assist Arvista in expanding their scope beyond pure surveying, to include the full range of drone-as-a-service products that DLT currently offer our multinational mining clients in the international arena, such as AI-based model analysis, security & surveillance, blast monitoring and asset inspection."

Delta Drone International Chairman, Eden Attias said: "Australia is the key immediate growth market for Delta Drone International. To scale quickly in this market, we needed to ensure that we found a culturally aligned company with the skillset and capability to harness our broader industry-leading drone services. The transaction is well funded from our cash reserves and is expected to be earnings accretive and to provide the foundation for Delta Drone International to achieve growth in FY22."

Key deal terms

- DLT to purchase 60% of the shares in Arvista Pty Ltd, which owns the Arvista business and includes all such assets that are required to operate the Arvista business, from the existing shareholders in Arvista being Investmin Pty Ltd, Evan Mckern and Shane Mcleay and Karen Mcleay (**Sellers**) via a Share Purchase Agreement.
- The Enterprise Value upon which the acquisition is based is \$1.6 million for the whole of the business.
- The purchase price for the 60% of the shares being purchased by DLT (**Initial Transaction**) is to be paid as follows:
 - \$300,000 in cash (out of DLT's existing cash reserves), payable at completion of the Initial Transaction (**Completion**);
 - 9,600,000 new shares in DLT, to be issued at Completion, at a deemed issue price of \$0.04 per share. These shares will be escrowed for a period of 24 months post Completion;
 - \$276,000 in cash (out of DLT's existing cash reserves), to be paid within one month after DLT releases its FY21 Annual Report to the ASX (the **Second Payment**); and
 - If prior to the Second Payment, DLT conducts an equity capital raising under which it raises at least \$1.5 million via the issue of DLT shares at a price that is less than \$0.04 per share (**New Capital Raising Price**), \$384,000 worth of DLT shares at the New Capital Raising Price minus the number of shares already issued to the Sellers at Completion.
- DLT will be granted a Call Option to acquire the remaining 40% of the shares in Arvista that are not being acquired under the Initial Transaction, under which DLT will have the right but not the obligation to acquire the remaining Shares, exercisable at any time within five years of completing the Initial Transaction. Any exercise price will be determined on the following formula:
 - $1.5 \times$ customer-based revenue generated by Arvista in the previous Financial Year, divided by the total number of Arvista shares on issue, multiplied by the number of Arvista shares held by the Sellers

- For personal use only
- The purchase price under the Call Option will be payable 50% in cash and 50% in the issue of new shares in DLT at a price to be calculated on the 15-day Volume Weighted Average Price per share in the 15 trading days that preceded DLT lodging their Annual Report with the ASX in the then-current calendar year.
 - DLT has also entered into a Shareholders Agreement with Arvista and the Sellers in relation to the management of, and shareholdings in, Arvista. DLT has a right to appoint up to two directors to the Board of Arvista. The Sellers are not entitled to appoint any directors to the Board of Arvista, however Evan McKern & Shane Mcleay intend to stay on as directors of Arvista at DLT's request. DLT also has appropriate drag along rights to force minority shareholders to sell their shares in Arvista to a bone-fide third party.
 - Both the Share Purchase Agreement and the Shareholders Agreement contain non-compete restrictions on the Sellers.
 - DLT does not require and does not intend to seek shareholder approval in relation to the Initial Transaction.
 - There are no changes to DLT's Board proposed as a result of the Initial Transaction.
 - The Share Purchase Agreement contains warranties and indemnities in favour of DLT.
 - The Initial Transaction and Completion of the Share Purchase Agreement are subject to the conditions precedent set out below.
 - The Share Purchase Agreement and the Shareholders Agreement contain various other terms and conditions that are considered standard for agreements of their nature.

Conditions precedent

The conditions precedent to the Initial Transaction are as follows:

- No material adverse effects occurring in relation to Arvista, its assets or the Initial Transaction;
- DLT's due diligence in relation to Arvista;
- Key employee agreements being fully executed;
- Release of all encumbrances in relation to Arvista and its assets; and
- Settlement of loans to, and termination of certain agreements with, Entech Pty Ltd (with whom Arvista has current business arrangements).

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 multinational 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.

For more information, please visit <https://www.dlti.com.au/>