



ASX Announcement

DELTA DRONE INTERNATIONAL TO DIVEST PARAZERO FOR A\$6 MILLION IN CASH

28 January 2022 – Delta Drone International Limited (the “**Company**”) (ASX: DLT) has entered into a binding agreement with a consortium of investors* led by NASDAQ-listed Medigus Ltd and facilitated by Israeli venture capital firm L.I.A Pure Capital Ltd (collectively “**Buyers**”) to sell ParaZero Technologies Ltd (“**ParaZero**”) which operates the Company’s drone safety business, for a total consideration of A\$6 million in cash. This transaction allows the Company to focus on becoming one of the leading drone service providers globally after its successful acquisition of the Delta Drone South Africa business in December 2020 and the purchase of Arvista Pty Ltd in Australia in September 2021. Post-sale this will leave the Company with a strengthened balance sheet and a substantially reduced need for cash to fund the ongoing R&D investment that had been required by the ParaZero business, allowing the Company to focus on aggressively growing its global drone services business.

*See Appendix for more details on the Buyers.

Key terms of the sale include:

- Purchase price of A\$6 million payable to the Company in cash, with \$5.1 million to be received on completion and \$0.9 million to be released from escrow after 12 months (subject to there being no warranty claims);
- The Company to retain usage rights in relation to the use of the technology and products developed by ParaZero (see the Appendix for more information); and
- The Company to retain additional equity upside in the transaction value from the issue of Warrants to invest in ParaZero again in the future under certain conditions (see the Appendix for more information).

As the Company has sought and obtained confirmation from ASX that Listing Rules 11.1.2, 11.1.3 and 11.2 do not apply to this transaction, there are no regulatory conditions that would prevent completion of the transaction, which is expected to complete in January 2022.

Additional details on the terms of the transaction are included in the Appendix to this announcement.

Commenting on the sale, Delta Drone International CEO, Christopher Clark said:

“ParaZero and its dedicated team were the inspiration for listing the Company on the ASX in 2018 and have been an important part of the Company since that time. With the drone services side of our business experiencing rapid growth, we believe now is the time to focus on the drone services business and still retain the opportunity to utilise the ParaZero products and services on a commercial basis. The exposure to ParaZero that we have retained through the transaction will also enable the Company’s shareholders to benefit from the future success of the ParaZero technology.”

“For the Company, this sale allows us to invest in building our team and to aggressively accelerate growth across all our drone services businesses, with the vision of becoming one of the leading drone service providers in the world.”

“We want to thank all of the ParaZero team for their efforts over the last few years as they have delivered on their vision to develop world-leading technology for the safe use of drones in commercial applications.”

The sale is not subject to any regulatory conditions and is expected to complete once residual conditions have been met which are expected to be finalised in the coming weeks. The Buyers have already paid their respective proportions of the completion payment into an escrow account for further certainty of funding pending completion.

The proceeds from the sale will significantly strengthen the Company's balance sheet with approximately \$5.1 million in cash being available at completion (less the net debt in ParaZero being assumed by the Buyers and transaction costs, which together will be approximately \$0.45 million) and a further \$0.9 million which will be available 12 months from completion (subject to there being no future warranty claims). These funds will allow the Company to invest in building its team, particularly in its sales, marketing and service areas so that it can deliver its leading drone services to more customers in the mining and agriculture industries, where it is seeing significant growth opportunities.

More specifically, the funds received will be retained by the Company and used to meet both its existing financial obligations and to pursue opportunities for investment in new drone-based software & geospatial data-related technologies that are more directly related to its ongoing service offerings within the Australian and African markets. The Company also intends to pursue further acquisition opportunities that will allow it to complement its current services with new technical capabilities or to expand into new geographic locations.

There will be no changes to the board or senior management of the Company as a result of the transaction. The Company intends to provide an update on its overall capital and management planning as part of its financial year results announcement in February 2022.

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

-ENDS-

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About Delta Drone International

Delta Drone International is a multi-national drone-based data service 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.

For more information, please visit: www.dlti.com.au

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Appendix: Additional Details on the Terms of the Transaction

Part A:

The Company has entered into a binding agreement to sell ParaZero Technologies Ltd (its wholly owned Israeli subsidiary), which holds all of the intellectual property in its ParaZero drone safety technology and sells a range of drone technology and safety systems. All of the staff of ParaZero will continue to be employed by ParaZero after the sale has been completed.

The Buyers are a consortium of investors led by NASDAQ-listed Medigus Ltd and facilitated by Israeli venture capital firm L.I.A Pure Capital Ltd. Further information on the Buyers is detailed below:

- **Medigus Ltd** - Based in Israel, Medigus Ltd. (Nasdaq: MDGS) is a listed technology company focused on innovative growth partnerships, mainly in advanced medical solutions, digital commerce and electric vehicle markets. Medigus' affiliations in the medical solutions arena include ownership stakes in Polyrizon Ltd and ScoutCam Inc. The Company's investments in digital commerce include Gix Internet Ltd, Jeffs' Brands Ltd and Eventer Technologies Ltd. In the electric vehicle market: Charging Robotics Ltd and Revoltz Ltd are part of the Company's portfolio of technology solution providers. Kfir Zilberman beneficially owns approximately 8% of the shares in Medigus while Pure Capital also has consultancy and other arrangements in place with Medigus.
- **L.I.A. Pure Capital Ltd** - Pure Capital is a private investment company, owned by prominent Israeli businessman Kfir Zilberman. Over the last two years, the firm has led various transactions and capital raisings totalling over US\$1 Billion in the U.S, Canada and Israel. Headquartered in Tel Aviv with offices in New York City and Toronto, the firm's focus is working with Israeli technology companies, from early stage until commercialization, high scale funding and IPOs. Pure Capital works with institutional investors in Israel, including hedge funds and high-net-worth individuals.
- **Other investors** – the other investors are executives at Pure Capital and parties that are, or are related to, other high net worth individuals advised by Pure Capital who are investing directly into the acquisition. A full list of Buyers and the proportion of ParaZero to be acquired by each is set out in Part B of this Appendix.

In consideration of the sale of ParaZero, the Company will receive the following from the buyers:

- **A\$5.1m in Cash** at completion less the customary adjustments listed below.
- **A\$0.9m in Cash** to be held in escrow for 12 months as security for any warranty claims.
- **Adjustment.** Customary (positive or negative) Balance Sheet adjustment necessary to provide ParaZero on a debt-free / cash-free basis and with an average level of working capital at completion. The Company currently estimates a transfer of approximately A\$0.3 m in net debt to be on the balance sheet of ParaZero at completion. The Company will also incur transaction costs of approximately A\$0.15m. This will result in a reduction to the total cash to be received from the buyers at completion by these amounts.
- **Usage Rights.** For a period of five years from completion, the Company and its subsidiaries will retain the right to buy from ParaZero directly or through any third-party distributor, all ParaZero commercial products that are sold by ParaZero at any time during said period and will be available for use on all drones operated by the

Company. Such purchases shall be made on pre-agreed arms-length pricing terms.

- **Warrants.** A warrant to purchase new shares in ParaZero, or any other related entity that owns and operates the ParaZero business in the future. The number of shares applicable to the Warrant is a fixed number of shares which reflect approximately 3% of ParaZero's issued shares as at the time of completion, and may be exercised under the two following scenarios:
 - *Scenario 1* - in the event of a closing of an IPO of ParaZero (or its related entity) on a regulated stock exchange during a period commencing on the date of completion and ending upon the earlier of the following trigger events:
 - (i) five years after the issue date; or
 - (ii) the one-calendar-month Volume Weighted Average Price ("VWAP") per ParaZero share has traded on the stock exchange at a price that is at least 50% more than the price per ParaZero share at the time of the IPO,then the Company will have 90 days from the trigger event to exercise the Warrants at the IPO price, otherwise such Warrants shall lapse.
 - *Scenario 2* - In the event there is no IPO during the five years after the issue date, then for a period of 12 months beginning on the fifth anniversary after the issue date, US\$5.9834 per ParaZero share at a pre-money valuation of US\$10 million (on a fully-diluted as-converted basis as of the issue date).

The sale agreement includes standard seller and buyer warranties and indemnities which are typical for a transaction of this size and nature.

The Company has sought and obtained confirmation from ASX that Listing Rules 11.1.2, 11.1.3 and 11.2 do not apply to the transaction.

There are no regulatory conditions precedent to completion, which is expected to occur in the coming weeks following finalisation of customary completion items. The Buyers have already paid their respective proportions of the completion payment into an escrow account for further certainty of funding pending completion.

Part B:

Buyer	% (rounded)
Medigus Ltd	35.9%
Avdinco Ltd	7.6%
Tamarid Ltd	7.6%
Capitalink Ltd	4.9%
Dror Atzmon	4.9%
Yoram Baumann	3.1%
L.I.A. Pure Capital Ltd	3.1%
Shomroni Josseph	2.8%
Itzhak Eidlman	2.8%
Moni Saat	2.8%
Alon Rahamim	2.8%
Attribute Ltd	2.7%
Yoresh Capital Ltd	2.7%
Buffalo Investments Ltd	2.2%
Weiss Amitay	2.0%
Ariel Dor A.D Investments Ltd	2.0%
Tomer Singer	2.0%
Boaz Shetzer	1.0%
Roy Borochoy	1.0%
Roni Menashe	1.0%
Rachel Menashe	1.0%
Eli Zamir	1.0%
Ron Peled	1.0%
Liron Carmel	0.8%
Zeev Zimbley	0.4%
Omer Selinger	0.3%
Shiran Shmuel Kaufman	0.2%
Yaron David	0.2%
Lagziel Hai Company	0.2%
Total	100.0%