

ASX Announcement

## DLT MARCH Q1 FY2023 QUARTERLY REPORT

### Revised Business Model Confirmed Through Key Metrics Continuing to Move Positively Towards Operating Cash Breakeven

#### HIGHLIGHTS

- **Revenue from continuing operations** A\$1.473m in the March quarter, Q1 FY2023, down 8% on Q4 FY2022 and up 10% on Q1 FY2022; due to January being a seasonally low month (project revenue) as well as a negative 3% impact from foreign exchange
- **Cash receipts from customers** A\$1.694m in Q1 FY2023, down 0.1% on Q4 FY2022 and down 6% on Q1 FY2022
- **Net cash used in operating activities**; almost at breakeven, was A\$62k in Q1 FY2023, down 58% on Q4 FY2022 and down 53% on Q1 FY2022; sustained through flat cash receipts and another quarter of good cost management, positioning DLT on a continued pathway to achieve breakeven
- **Annual Recurring Revenue (ARR)** was A\$2.764m at the end of the March quarter, up 15% on Q4 FY2022 and up 110% on Q1 FY2022 due to new contracts being signed; ARR accounted for 39% of total revenue in the quarter
- **Total contract value (TCV)** was A\$4.896m at the end of the March quarter, up 0.4% on Q4 FY2022 and up 63% on Q1 FY2022; remained flat despite new contracts being signed due to existing contract depletion (run-off)
- **Two material contracts** announced:
  - Vedanta Zinc International – Black Mountain Mining (Pty) Ltd in South Africa (TCV A\$281k and ARR of A\$211k), 2-year contract (16 months remaining)
  - AngloGold Ashanti – Sunrise Dam Gold Mine in Western Australia (TCV A\$307k and ARR of A\$154k), 2-year contract
- **Revised integrated business model confirmed** - first sale of AI software solution (Strayos), delivering more value and increasing opportunities from existing and new customers (announced post quarter end; TCV/ARR not financially material to the Company)
- **Board changes** following the strategic exit of former substantial investors, Delta Drone SA
  - Appointment of Mr David Morton as Independent Non-Executive Director, an experienced technology company Director
  - Retirement of Non-Executive Directors, Mr Christian Viguié and Mr Nicolas Clerc (with effect from 30 April 2023)
- **Cash balance** of A\$2.843m at 31 March 2023, an increase of A\$0.589m over the end of the December quarter (A\$2.254m); A\$0.814m was received from escrow relating to the divestment of ParaZero in Q1 2022

**26 April 2023 – Delta Drone International Limited or DLT (ASX: DLT)**, a Drone based data systems provider, is pleased to provide the business update for the quarter ending 31 March 2023 (Q1 FY2023), along with its Appendix 4C quarterly cash flow report.

**Delta Drone International CEO Christopher Clark said:** “We have again demonstrated strong ARR growth this quarter of 15% at A\$2.8m. This places us on a valuation basis compared to our market capitalisation of only 1.8x before even considering ‘other’ revenues, which include non-contracted reoccurring revenues of A\$1.452m annualised, based on this quarter of A\$0.363m.

Looking ahead, we remain confident that the revised business model and growing track record will continue to deliver further value.

During this quarter, we seized the opportunity to accomplish a few strategic initiatives:

- **Landing of our first Strayos customer** – Artificial Intelligence (AI) applications have immense scope and benefit within our business, as drones can inherently deliver visual data more frequently and at higher resolutions, when compared to traditional satellite and aircraft solutions. Our partnership with Strayos, combined with our on-site drone data contracts, delivers immediate cost-saving and safety benefits to current and potentially new customers.
- **Appointment of Non-Executive Director, David Morton** – with the exit of our legacy shareholder, Delta Drone SA (France), it has created the opportunity for the Company to redefine its identify, go-to-market plan, as well as capital and investment strategy. We look forward to leveraging David's financial knowledge, as well as his corporate governance experience.

Operating Cash Breakeven is within sight: Operational efficiencies, compounded with improved operating margins for the quarter, resulted in a net cash burn of circa \$20k per month. We are only a couple of new contracts away from achieving our breakeven goal and considering our overall cash position of \$2.8M, this gives the business a considerable runway."

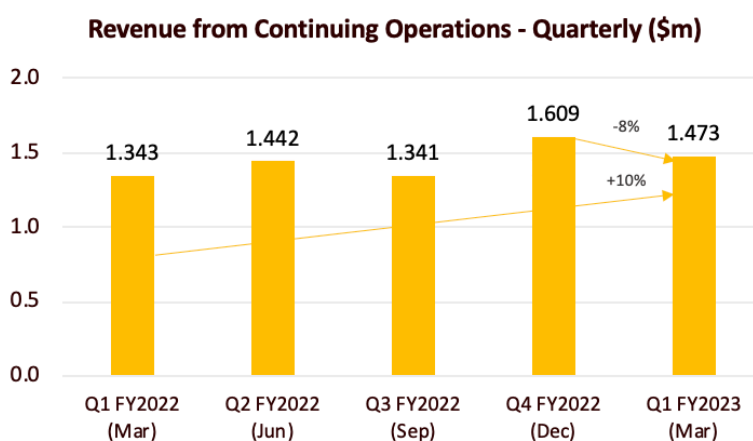
## **1. FINANCIAL OVERVIEW**

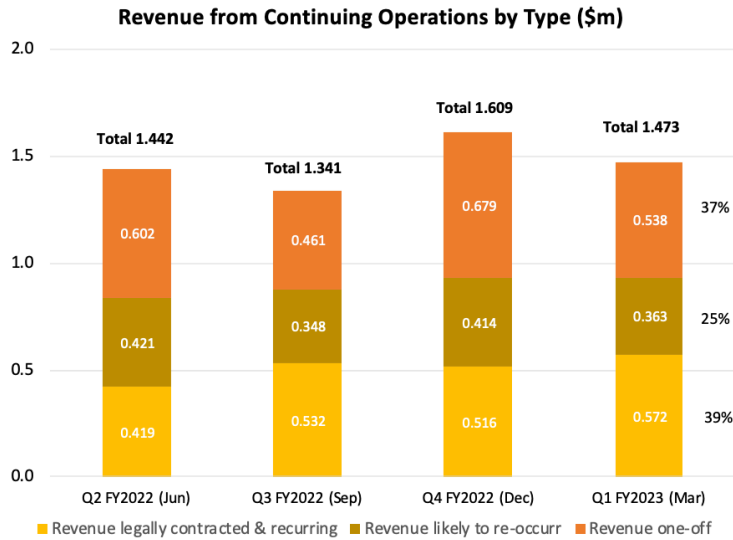
**Revenue from continuing operations** (unaudited) for the March quarter Q1 FY2023 was A\$1.473m, down 8% on Q4 FY2022 and up 10% on Q1 FY2022 due to lower project revenue in Q1 and January being a seasonal low month, as well a coming off a very strong December quarter for project revenue.

Revenue from continuing operations is presented excluding revenue from ParaZero in Q1 FY2022 (in line with accounting standards), which was divested in early 2022.

Contracted recurring revenue increased slightly to 39% of total revenue from the December quarter, given the timing of commencement of new contracts.

Growing the ARR component of overall revenue is a focus of the Company when tendering its services. Non-ARR revenue is an important (indicative) metric to the Company's prospective revenue pipeline, leading to potential new contract wins, as customers generally conduct ad-hoc projects or proof-of-concept trials before signing on for long-term agreements. Australian operations accounted for 29% of group revenue in the quarter (32% in Q4 FY2022).





Revenue definitions by type:

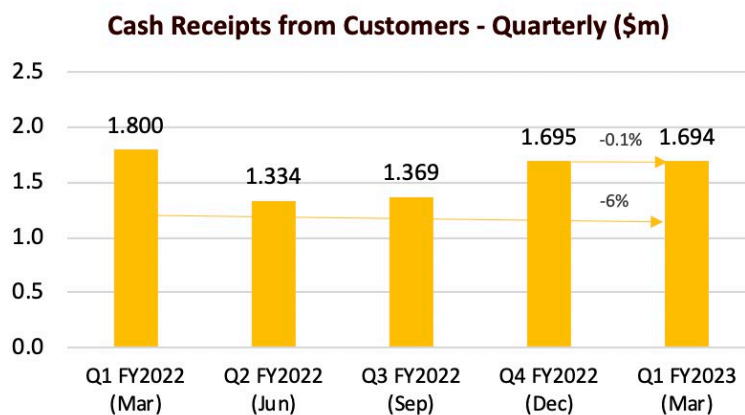
**(A) Revenue legally contracted and recurring:** revenue from legal contracts with minimum original terms of 12 months, subject to normal termination provisions per each contract. The TCV and ARR measures set out in the section below contain only this type of contract.

**(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.

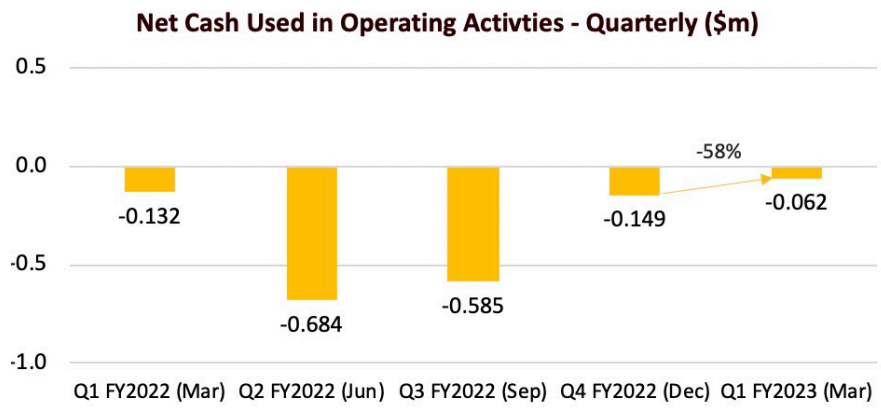
**(C) Revenue one-off:** revenue which does not meet the above definitions (these are typically one-off short projects)

**Cash receipts from customers** for the March quarter, totalled A\$1.694m, a 0.1% decrease on Q4 FY2022 and down 6% on Q1 FY2022. Historic figures shown in the charts below for Q1 FY2022 and prior, include cash receipts from 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.



**Net cash used in operating activities** was A\$62k in Q1 FY2023, down 58% on Q4 FY2022 and down 53% on Q1 FY2022, sustained through flat cash receipts and another quarter of good cost management. This positions DLT on a continued pathway to achieve operating cash breakeven.



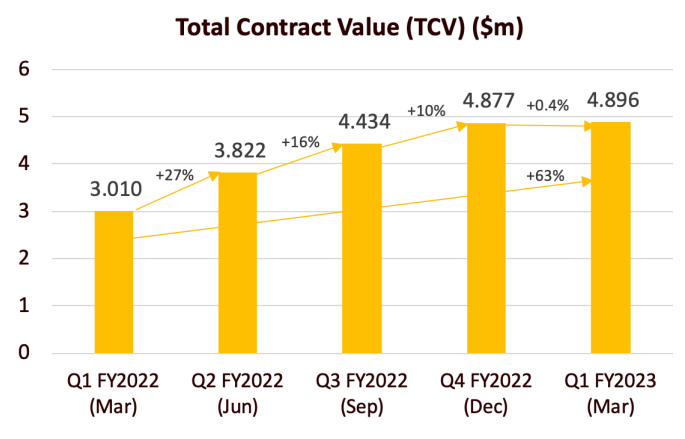
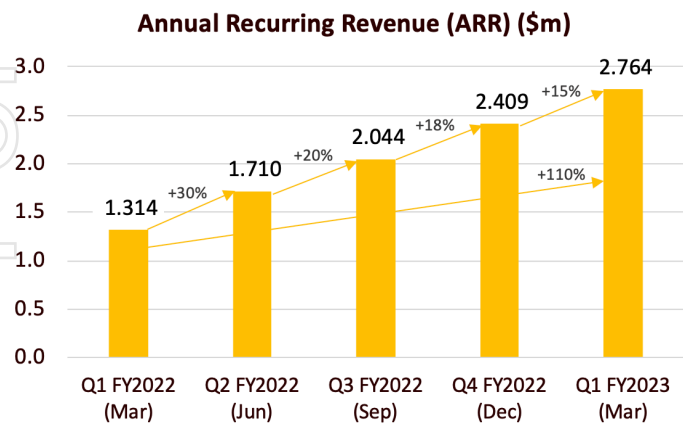
**TCV and ARR**

**Annual Recurring Revenue (ARR)** is A\$2.764m at the end of the Q1 FY2023, up 15% on Q4 FY2022 and up 110% on Q1 FY2022 due to new contracts being signed (see Material Contracts Section); ARR accounted for 39% of total revenue in the quarter. Individual contracts are subject to normal termination provisions.

ARR grew in the quarter due to signing of new material contracts, in particular, Vedanta Zinc – Black Mountain Mining and AngloGold Ashanti – Sunrise Dam Mine.

**Total contract value (TCV)** is A\$4.896m at the end of the March quarter, up 0.4% on Q4 FY2022 and up 63% on Q1 FY2022. TCV grew in the quarter for the reasons noted in the ARR comments above, less existing contract depletion (run-off) in the quarter.

Note: 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 can be found in recent investor presentations. ARR and TCV may be impacted by exchange rate fluctuations.



## **2. COMMERCIAL UPDATE**

### **Business model**

DLT revised its business model late in calendar 2022 to an integrated solutions focused model. This was confirmed with first sale of partnered AI software solution (Strayos), delivering more value and increasing opportunities from existing and new customers (announced post quarter end, see ASX announcement [5 April 2023](#)). The TCV/ARR from this first sale is not individually financially material to the Company.

For further information about DLT's software partnership with Strayos, see ASX announcement [14 November 2022](#).

### **Material contracts signed during the period**

#### **Vedanta Zinc International – Black Mountain Mining (Pty) Ltd in South Africa**

A 2 year contract (16 months remaining) expiring 31 May 2024 was signed with Black Mountain Mining (PTY) Ltd in South Africa (owned by mining giant Vedanta Limited) for surveying services. The contract had a TCV of A\$281k and ARR of A\$211k. See ASX announcement [31 January 2023](#).

#### **AngloGold Ashanti – Sunrise Dam Gold Mine**

A 2-year contract was signed with AngloGold Ashanti in Western Australia for drone surveying services. The contract had a TCV of A\$307k and ARR of A\$154k. See ASX announcement [27 February 2023](#).

### **Other contracts and agreements – individually not material**

#### **Bayer (Pty) Ltd in South Africa**

A once-off purchase order from Bayer (Pty) Ltd was signed to deliver drone training, hardware and consulting services to be used for crop trial monitoring by Bayer's agronomists. The purchase order has a value of AU\$243k (ZAR2.966m) and was signed post quarter end.

## **2. CORPORATE**

### **Board changes**

Following the strategic exit of former substantial investors, Delta Drone SA, Non-Executive Directors Mr Christian Viguie and Mr Nicolas Clerc will retire from the Board, with effect from 30 April 2023.

The Company is pleased to have appointed Mr David Morton as an Independent Non-Executive Director. David brings extensive experience as Chairman and Director of ASX listed and unlisted technology companies operating with global footprints where he has demonstrated his ability to lead building organisational structure, culture and drive top line growth through enterprise level agreements and undertake business combinations and M&A. See ASX announcement [29 March 2023](#).

### **Market engagement**

- **Investor presentation update:** see ASX announcement [20 March 2023](#).
- **Annual Report for FY2022:** can be viewed [here](#).
- **Other:** Visit Delta Drone's website under [News & Events](#) to read on 'flytnow' an interview CEO Chris Clark gave to NestGen about 'The Impact of Drones in Mining: How Autonomy and AI are Transforming the Industry'.

### **Upcoming events**

- **Coffee Microcaps Conference:** DLT will present at the upcoming conference to be held in Sydney on Thursday 27 April (Metcalf Auditorium, State Library of NSW, 1 Shakespeare Place). Registration can be made via the 'Coffee Microcaps' website.
- **Annual General Meeting (AGM):** The Company will hold its AGM on Thursday 25 May 2023 at 9:00 am (WST). The Notice of Meeting (NOM) was released on Friday 21 April 2023.

**Cash:** The cash balance at 31 March 2023 was A\$2.843m, an increase of A\$0.589m over the end of the December quarter (A\$2.254m).

During the quarter, the Company received A\$0.814m from escrow relating to the divestment of ParaZero in calendar Q1 2020 (see ASX announcement [7 March 2023](#)).

### **3. APPENDIX 4C**

Cash receipts from customers of A\$1.694m in Q1 FY2023 were down 0.1% on Q4 FY2022. Total payments for operating activities were A\$1.785m in Q1 FY2023, down 3% on Q4 FY2022. The resulting net cash flow from operating activities was favourable to the last quarter at A\$0.062m outflow (Quarter 4, A\$0.149m outflow). These metrics show continued good progress toward our cash breakeven goal as we continue to drive revenue growth and control overheads and corporate costs.

As foreshadowed in the Q4 FY 2022 quarterly report, the loan facility from Delta Drone SA has been terminated by mutual consent and is no longer included in section 7 of the Appendix 4C.

As per item 6 of the attached Appendix 4C cash flow report for the quarter, payments to related parties and their associates of A\$134k comprised of:

- Chris Clark: A\$61k for director fees and A\$18k paid to a related-party
- Paul Williamson: A\$55k for CFO services provided under his executive agreement, noting that Paul is not being paid additional fees for his director duties.

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

-ENDS-

#### **For more information, please contact:**

##### **Corporate**

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**About Delta Drone International** [www.dlti.com.au](http://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, Seriti Coal and Anglo American.

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")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,694	1,694
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(377)	(377)
(c) advertising and marketing	(74)	(74)
(d) leased assets	(42)	(42)
(e) staff costs	(739)	(739)
(f) administration and corporate costs	(553)	(553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/received	2	2
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	19	19
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(62)</b>	<b>(62)</b>



<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(129)	(129)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	813	813
	(c) property, plant and equipment	36	36
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(1)	(1)
2.4	Dividends received (see note 3)	-	-
2.5	Other (equipment deposits)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>719</b>	<b>719</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	-
3.6	Repayment of borrowings	(54)	(54)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(54)</b>	<b>(54)</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,254	2,254
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(62)	(62)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	719	719
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(54)	(54)
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,843</b>	<b>2,843</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,644	2,145
5.2	Call deposits	199	109
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,843</b>	<b>2,254</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	134
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.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<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	120	120
7.2	Credit standby arrangements	112	14
7.3	Other	168	168
7.4	<b>Total financing facilities</b>	400	302
7.5	<b>Unused financing facilities available at quarter end</b>		98
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 and interest free shareholder loan of \$120K from Entech Pty Ltd.</p> <p>7.2: Unsecured credit card (A\$2K) bearing interest 21.00%, unsecured loan from Nedbank (A\$6K) bearing interest 10.75%, unsecured loan from Sasfin bank (A\$86K) bearing interest 17.25% and unsecured credit card (A\$20k) bearing interest of 20.24%.</p> <p>7.3: Motor vehicle financing of (\$48K) and (\$43K) from Toyota Finance bearing interest of 2.90% and 4.54% respectively. Insurance funding of (\$30K) and (\$13K) from QPR Limited bearing interest of 3.39% and 3.95% respectively, insurance funding (\$3K) from Hunter Premium Funding bearing interest of 10.18%. Drone lease of (A\$29k) from Grenke bearing interest of 10.15%.</p>		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(62)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,843
8.3	Unused finance facilities available at quarter end (item 7.5)	98
8.4	Total available funding (item 8.2 + item 8.3)	2,941
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	47.44
	<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: 26 April 2023

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.