

Delta Drone secures additional funds to finance the acceleration of growth

Signature of an agreement for ORNAN with BSA attached representing €25M with Yorkville Advisors

Dardilly, 14 October 2020 at 6PM

PREAMBLE: RISKS IN CONNECTION WITH THE ISSUANCE AND IMPACT OF THE TRANSACTION IN TERMS OF LIQUIDITY AND TIMING RISKS MANAGEMENT

Considering a cash position of €3.4M as of 9 October 2020, the current Yorkville Advisors financing (see press release dated 8 April 2020) of which €5M remain available and the setup of a new financing via tranche warrants that, upon exercise, will result in the issuance of ORNAN with BSA attached, would allow the Company to have a cash position of more than €35M.

This analysis takes into account both the current situation and the implementation of the 2020-2021 plan in the event that the Company would be unable to generate income from payments due, subject to the terms of the agreement (see below).

CONTEXT FOR THE TRANSACTION

2020 First Half results are in line with the 2020-2021 plan

The sharp reduction in operating losses (restated EBITDA, operating income before depreciation and provisions) observed at the end of the first half of the year is in line with the ambitions of the 2020 - 2021 plan, which aims at achieving three main objectives: a consolidated turnover of €30M, a positive operating profitability of 10% and 30% of the activity carried out outside France.

In this context, and while the operation of the Group within its current scope hardly requires the provision of external financing, Delta Drone nevertheless wishes to have additional potential financial resources to seize any opportunity that may arise, whether for external growth operations or the acceleration of growth investments.

For information, these additional resources will mainly be mobilized to finance operations outside the scope of existing activities to date. Existing activities could benefit, if necessary, from the support of OTT Ventures, Delta Drone's reference shareholder, through more traditional financing.

Two first strategic ways to accelerate the rhythm of expansion

As announced in the press releases dated April 8, 2020 and September 7, 2020, the Group is actively involved in various drone delivery projects, integrating not only transport solutions but also the necessary infrastructure as well as safety aspects. The scope of these projects is international and will require significant financial resources.

The very recent announcement of the creation of Delta Drone International Ltd in Australia (press release dated October 13, 2020) could mean new opportunities for the Group. Thanks to the capital increase announced and planned as part of the transaction, the Australian subsidiary and its South African component will be able to self-finance their organic development.

Nevertheless, due to its status as a listed company on the ASX Sydney Stock Exchange, Delta Drone International Ltd could quickly become a pole of attraction for various players in the sector in the Southern Hemisphere, in search of financial resources and backing.

LEGAL FRAMEWORK FOR THE ISSUANCE OF ORNAN WITH BSA ATTACHED

In accordance with the delegation of authority conferred on the Board of Directors by the Extraordinary General Meeting of Shareholders of Delta Drone (the “**Company**”) on April 24, 2020 pursuant to its 6th resolution, the Board of Directors, on October 14, 2020:

- approved the principle of issuing 2,500 tranche warrants (the “**Tranche Warrants**”) which will give access to, upon exercise, the issuance of 2,500 bonds redeemable in cash and/or in new shares (the “**ORNAN**”) with share subscription warrants attached (the “**BSA**”), to the benefit of the investment fund YA II PN, LTD (the “**Investor**”), a fund managed by the American management company Yorkville Advisors, representing a financing of a total nominal amount of up to €25M, and
- delegated to the Chief Executive Officer the power to decide on the launch of this operation, its final terms, to issue the Tranche Warrants, the ORNAN with BSA attached and the underlying shares.

MAIN CHARACTERISTICS OF THE TRANCHE WARRANTS, ORNAN AND BSA

The main characteristics of the Tranche Warrants, ORNAN and BSA (the terms and conditions of which are available in detail on the Company’s website, under the Investors tab) are as follows:

MAIN CHARACTERISTICS OF THE TRANCHE WARRANTS

The Tranche Warrants require their holder, at the Company’s request and subject to satisfying certain conditions¹ (a “**Request**”), to subscribe for ORNAN with BSA attached, i.e., one ORNAN for each Tranche Warrant exercised, at a subscription price set at 96% of the par value of an ORNAN. Each exercise date of a Tranche Warrant is a “**Tranche Warrant Exercise Date.**”

The Tranche Warrants shall become null and void 36 months after their issuance date, or following the date on which the Company shares are no longer traded on the Euronext Growth market or any other organized or regulated market.

The Tranche Warrants are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be admitted to trading on a financial market and therefore shall not be listed.

MAIN CHARACTERISTICS OF THE ORNAN

The ORNAN shall be issued in 25 tranches of 100 ORNAN each. The total nominal amount of each tranche shall therefore be equal to €1M, it being specified that the amount of each tranche may be increased or decreased by mutual agreement between the Investor and the Company.

¹ The following conditions must be met on the day the Request shall be sent and on the day the Tranche Warrants shall be exercised:

- no material adverse change occurred;
- the closing price and the daily average volume-weighted price over the five preceding trading days is greater than or equal to 0.005 euro (subject to adjustment due to a reverse stock split or stock split);
- the daily average value of the shares traded during the ten trading days prior to the financing of the tranche in question is greater than or equal to 40 000 euros;
- no event of default or event that could constitute a case of default is occurring and has not been resolved;
- the Company’s shares have not been suspended from being listed on the stock market (other than an intraday suspension brought about by Euronext) at any time during the preceding 90 days;
- the Company has a number of authorized and available shares equal to at least (i) twice the number of shares to be issued upon conversion of the ORNAN to be issued, plus, as the case may be, the number of shares to be issued upon conversion of the ORNAN still in circulation (based on the conversion price applicable on the date of the Request) and (ii) the number of shares to be issued upon exercise of the BSA to be issued, plus, as the case may be, the number of shares to be issued upon exercise of the BSA still in circulation.

The ORNAN have a par value of 10,000 euros each and are subscribed at 96% of par.

The ORNAN have a maturity of 12 months from their date of issuance. Upon expiry or in case of an event of default², the ORNAN that have not been converted shall be redeemed by the Company at par (plus accrued interest, if any). The ORNAN do not bear interest (except in the case of an event of default).

At his discretion, the Investor may convert all or any of the ORNAN into new shares (a “**Conversion**”). Upon Conversion, the Company shall have the right, at its sole discretion, to issue to the Investor: (1) the corresponding number of new shares (as described below), or (2) a cash amount (as described below) or (3) a cash amount and new shares. Upon a Conversion, the Investor shall determine the number of ORNAN to be converted and the total amount of the principal and interest (if any) to be converted (the “**Conversion Amount**”).

If the Company chooses to remit new shares to be issued, the number of shares to be remitted to the Investor on the Conversion date shall be equal to:

$$N = V_n / P$$

“N”: Number of new shares to be issued;

“V_n”: the Conversion Amount corresponding to the bond claim represented by the ORNAN (par value of one ORNAN, plus accrued interest, if any)

“P”: conversion price (the “**Conversion Price**”) corresponding to 96% of the Market Price (as defined below). The Conversion Price shall be determined (i) to two decimal points and rounded off to the nearest hundredth of a cent if the Conversion Price is greater than or equal to 0.10 euro, (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Conversion Price is between 0.01 euro and 0.10 euro, and (iii) to four decimal points and rounded off to the nearest ten-thousandth of a cent if the Conversion Price is less than 0.01 euro.

If the Company chooses to remit a cash amount, such amount shall be equal to:

$$M = (V_n / P) * C$$

“M”: cash amount payable to the ORNAN holder;

“V_n”: bond claim that the ORNAN represents (par value of an ORNAN, plus accrued interest, if any);

“P”: 96% of the Market Price;

“C”: daily volume-weighted average price of the Company’s share on the Conversion Date;

The Market Price (“**Market Price**”) shall be the lowest daily volume-weighted average price of the Company’s share over the ten (10) consecutive trading days immediately preceding the applicable date (the “**Pricing Period**”). It is specified that when the Conversion Price or Strike Price are determined on the Reset Date, the Pricing Period does not include the days on which the Investor sold Company shares on the market.

The ORNAN are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on a financial market and therefore shall not be listed.

MAIN CHARACTERISTICS OF THE BSA

Each of the twenty-five tranches of ORNAN shall be issued with a number of BSA equal to 50% of the par value of the ORNAN of the tranche at stake, divided by the Strike Price for the BSA (the “**Strike Price**”). The BSA shall

² Events of default include, in particular, without this list being exhaustive, (i) the failure to reimburse ORNAN upon maturity, (ii) the failure to issue Tranche Warrants, ORNAN and BSA, (iii) the failure to abide by the provisions of the issuance agreement, (iv) the failure to abide by the covenants, (v) the impossibility to convert ORNAN into new shares to be issued, (vi) delisting from the stock market or suspension of the listing of the Company’s shares (other than an intraday suspension brought about by Euronext), (vii) a change in control, (viii) the failure to deliver shares upon Conversion of ORNAN and/or exercise of BSA.

immediately be detached from the ORNAN, and each BSA shall give its holder the right to subscribe for one (1) new share in the Company, subject to possible adjustments.

The Strike Price of the BSA attached to the ORNAN of each tranche shall be equal to 110% of the Market Price on the date of the Request in question. The Strike Price of the BSA in question shall be determined (i) to two decimal points and rounded off to the nearest hundredth of a cent if the Conversion Price is greater than or equal to 0.10 euro, (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Conversion Price is between 0.01 euro and 0.10 euro, and (iii) to four decimal points and rounded off to the nearest ten-thousandth of a cent if the Conversion Price is less than 0.01 euro.

On the anniversary date set for the 12th month following the respective issuance dates of the BSA (“**Reset Date**”), the BSA Strike Price shall be adjusted and shall be equal to the lowest of either (i) 110% of the Market Price on the trading day immediately preceding the Reset Date and (ii) the actual Strike Price before the Reset Date.

The BSA shall be exercisable in new shares for a period of 4 years from their respective issuance dates.

The BSA are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on a financial market and therefore shall not be listed.

New shares resulting from the Conversion of ORNAN or the exercise of BSA

The new shares issued upon Conversion of the ORNAN and/or exercise of BSA shall be admitted to trading on Euronext Growth as from their issuance, will carry immediate and current dividend rights and will be fully assimilated to and fungible with the existing shares.

The Company shall update a summary table on its website showing the Tranche Warrants, ORNAN, BSA and number of shares outstanding.

MAIN RISKS CONCERNING THE COMPANY

Shareholders are welcome to acquaint themselves with the main risk factors set forth in the Management Report available on the Company’s website under the heading “Investors,” in the “Shareholders” section, as well as the risk factors set forth in this press release.

RISKS IN CONNECTION WITH THE COVID-19 HEALTH CRISIS

It is still too early to assess accurately the impact of the COVID-19 health crisis as it is still impossible to predict how long the health crisis will last.

Nevertheless, as for the Delta Drone Group’s internal organization, measures were taken pursuant to the implementation of strict internal procedures several months ago. Indeed, a Continued Activity Plan, a Group IT charter and a monitoring unit in case of a crisis, organized by the Group’s Security Manager, made it possible to adopt suitable measures very early on to cope as well as prepare to the current context.

Simultaneously, the Group has taken care to not systematically or completely defer most of its financial commitments (suppliers, service providers, agencies and administrations), so as to avoid, at the end of the crisis, a glut of accumulated expenses to be paid. To not compromise the Group’s future and to guarantee its financial capacity, measures were also implemented so as to have the necessary financial resources to ensure continued operations.

Finally, it should be noted that, in almost all the countries in which the Group has subsidiaries, strict stay-at-home measures have been ordered by the authorities. The main internal measures are to have employees work from home, coupled with taking some paid vacation. To much a lesser extent, partial unemployment has been applied in the cases where no work can be done due to the nature of the jobs in question (this concerns about thirty people within the entire Group worldwide). Some sick leave has also been recorded, generally falling under child-care.

THEORETICAL IMPACT OF THE ISSUANCE OF THE ORNAN WITH BSA ATTACHED (BASED ON THE MARKET PRICE OF THE COMPANY'S SHARE ON 13 OCTOBER 2020, I.E., 0.0264 EURO)

For reference, assuming the Company decides to remit only new shares upon Conversion of the ORNAN, the impact of the issuance of the ORNAN with BSA attached would be as follows:

- Impact of the issuance on the consolidated net assets per share (based on the shareholders' equity as at 30 June 2020, i.e., €21,477,326 and the number of shares making up the Company's share capital as at 13 October 2020, i.e., 686,339,171 shares)

	Consolidated net assets per share (non-diluted basis)	Consolidated net assets per share (fully diluted basis) (a)
Before issuance	€ 0,0313	€ 0,0300
After issuance of 1,000,000,000 new shares upon conversion of 2,500 ORNAN	€ 0,0264	€ 0,0269
After issuance of 1,000,000,000 new shares upon conversion of 2,500 ORNAN and issuance of 431,034,483 new shares resulting from the exercise of 431,034,483 BSA	€ 0,0269	€ 0,0273

(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a theoretical maximum of 622,309,355 new shares.

- Impact of the issuance on the situation of a shareholder owning 1% of the Company's capital, based on the number of shares making up the Company's share capital as at 13 October 2020, i.e., 686,339,171 shares)

	Shareholder investment (%) – non-diluted basis	Shareholder investment (%) – fully diluted basis (a)
Before issuance	1.00%	0.52%

After issuance of 1,000,000,000 new shares upon conversion of 2,500 ORNAN	0.41%	0.30%
After issuance of 1,000,000,000 new shares upon conversion of 2,500 ORNAN and issuance of 431,034,483 new shares resulting from the exercise of 431,034,483 BSA	0.32%	0.25%

(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a theoretical maximum of 622,309,355 new shares.

The Company specifies that, upon a Conversion of the ORNAN, it shall have the right to remit a cash amount instead of new shares in order to limit dilution for its shareholders.

NOTICE

This transaction does not require or include a prospectus approved by the AMF (French Financial Markets Authority).

About Delta Drone: *The Delta Drone Group is a recognized international player in the field of civilian drones for professional use. It develops a range of professional solutions based on drone technology as well as all related services, thus providing a full value chain.*

Delta Drone is listed on Euronext Growth Paris – ISIN code: FR0011522168

Also listed on Euronext Growth BSA Y – ISIN code: FR0013400991

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