

Signature of a new contract for the issue of convertible notes with warrants attached (OCABSA) with Yorkville Advisors, representing a potential capital increase of €50M (€25M upon conversion of the notes (OCA) and €25M upon exercise of the attached warrants (BSA) with a maturity of four years as from their creation)

Dardilly, 27 October 2016

As stated in the recent press release dated 12 October 2016 concerning the publication of the half-year accounts, the Delta Drone Group is entering a new phase of its development, aiming to attain a consolidated revenue of €7M in 2017, mainly broken down between three continents: Europe, America and Africa.

In order to be successful in implementing this ambitious plan, which will combine sustained organic growth and targeted external growth transactions, it seems necessary to obtain significant financial resources as of now that align with our current and future projects.

Therefore, Delta Drone (hereinafter the “**Company**”) reached out to YA II CD, Ltd (hereinafter the “**Investor**”) in order to enter into a new contract for the issue of 2,500 warrants, issued at no cost, then requiring their bearer to subscribe for a block of bond debt at the issuer’s request, subject to certain conditions⁽¹⁾, and also allowing their bearer to subscribe for a block at its sole discretion (hereinafter the “**Warrants**”) and proceed in blocks with the exercise of the Warrants, the issuing of bonds convertible into new ordinary shares in the Company (hereinafter the “**OCA**”) for a total maximum par value of €25M, with a first block for a par amount equal to two million euros (€2,000,000) and several successive blocks for a par amount equal to ten (10) times the daily average of the volumes of Company shares traded on the market in euros immediately prior to the receipt of notification of the exercise of the Warrants, capped at two million euros (€2,000,000) per block (unless the parties decide otherwise), with attached warrants for ordinary shares (hereinafter the “**BSA**”) (hereinafter, together, the “**OCABSA**”). This issue shall be reserved, within the framework of issuance with waiver of the preferential subscription right of shareholders, for YA II CD, Ltd, a US fund managed by YORKVILLE ADVISORS GLOBAL, LP.

This issuance is subject to approval by an Extraordinary General Shareholders’ Meeting to be held by Delta Drone’s shareholders and to the change of the Delta Drone share’s compartment on the Alternext Paris market, from compartment E1 (private investment) to compartment E2 (public offer).

The compartment change will require the Company to prepare a prospectus – to be approved by the AMF – that will be strictly limited to such compartment change.

This issuance of OCABSA warrants should result in reinforcing our equity by a maximum of €50M: €25M corresponding to the conversion of all the OCA into new ordinary shares and €25M corresponding to the exercise of all of the attached BSA under the conditions set forth below.

The main characteristics of the Warrants, the OCA and the BSA (the detailed terms and conditions of issuance of which are available on the Company’s website) are as follows:

Main characteristics of the Warrants

The Warrants may not be assigned by their bearer to a third party without obtaining the Company’s prior consent, shall not be the subject of a request for admission to trading on the Alternext Paris market and therefore shall not be listed.

Main characteristics of the OCA:

The OCA shall not bear interest (except in the event of a default, at an annual rate of 15%) and shall have a maturity date of six (6) months counting from their issue date; OCA not converted at maturity must be reimbursed by the Company at 100% of their unit par value (plus late interest, as the case may be).

The OCA may be transferred without the Company's prior approval.

The OCA shall not be the subject of a request for admission to trading on the Alternext Paris market and therefore shall not be listed.

The unit par value of the OCA issued upon exercise of the Warrants shall be equal to ten thousand euros (€10,000).

The OCA shall be issued at a price of ninety-nine percent (99%) of their unit par value. Consequently, the subscription amount paid by the Investor to the Company for all of the OCA shall be equal to 24,750,000 euros.

The conversion of the OCA may take place at any time at the bearer's request.

Parity for the conversion of the OCA into new ordinary Company shares shall be determined based on the following formula:

$$N = V_n / P$$

With:

“**N**”: the number of new ordinary Company shares to be issued when converting one (1) OCA;

“**V_n**”: the unit par value of one fully paid OCA, i.e., ten thousand euros (€10,000), plus, as the case may be, any corresponding interest;

“**P**”: ninety-three percent (93%) of the lowest average volume-weighted daily price of the Company share during the period during which the conversion price is determined i.e., the trading days during which the OCA bearer in question did not sell shares among the ten (10) consecutive trading days immediately preceding the conversion request date for the OCA in question);

Main characteristics of the BSA

As from the issuance of each block of OCABSA, upon exercise of the OCABSA Warrants, the BSA attached to such block, the number of which shall be determined as set forth below, shall be detached from the OCA.

The BSA may be transferred without the Company's prior approval.

The number of BSA to be issued at the time of each block of OCABSA issued shall be such that, multiplied by the subscription price, including the share issue premium, of the new ordinary shares to be issued upon exercise of the BSA determined as set forth above, the amount thus obtained shall be equal to the par value of the OCA to which BSA are attached.

Upon request by the Investor to the Company, the BSA may be the subject of a request for admission to trading on the Alternext Paris market, as the Company agreed to a best-efforts obligation in this regard.

Unless the bearer decides to make the BSA fungible with other BSA that might be issued and admitted to trading on the Alternext Paris market (in which case their exercise period shall end on the same date), the BSA may be exercised for a period of four (4) years counting from their issuance, i.e., as from their detachment from the OCA.

Unless the bearer decides to make the BSA fungible with other BSA that might be issued and admitted to trading on the Alternext Paris market (in which case their exercise parity shall be identical), each BSA shall give right to the subscription of one (1) new ordinary Company share (subject to possible adjustments).

The subscription price, including share issue premium, for the new ordinary shares to be issued upon exercise of the BSA shall be equal to:

(A) one hundred and ten percent (110%) of the lowest between (i) the lowest average volume-weighted daily price of the Company share (as released by Bloomberg) over the ten (10) consecutive trading days immediately preceding 27 October 2016 (signature date of the issuance contract between the Company and YA II CD, Ltd.), i.e., 1.0958 euro, and (ii) the lowest average volume-weighted daily price of the Company share (as released by Bloomberg) during the period during which the BSA exercise price is determined, which, in the event that the Warrants are exercised at the Company's request, is made up of the ten (10) consecutive trading days immediately preceding the date of the Warrant exercise request resulting in the issue of the block of OCABSA from which the BSA are detached or, if the Warrants are exercised at the bearer's own discretion and not at the Company's request, is made up of the trading days during which the bearer did not sell Company shares among the ten (10) consecutive trading days immediately preceding the Warrant exercise date;

(B) if the BSA attached to a block do not have the exact same exercise price as existing BSA, and in order to allow the fungibility of a maximum number of BSA to be issued and admitted for trading on the Alternext Paris market at the Investor's request, the latter shall have the option, upon exercising each OCABSA Warrant, of setting the BSA exercise price, for all or some of the BSA attached to this block, at the same exercise price as BSA that were already issued and admitted for trading on the Alternext Paris market whose exercise price is higher than the exercise price of the BSA attached to this block as calculated pursuant to the method set forth in (A) above.

As a general indication only, based on the lowest of the ten (10) lowest average volume-weighted daily prices of the Delta Drone share (as released by Bloomberg) preceding 27 October 2016 (i.e., 1.0958 euro), the theoretical value of a BSA would be between 0.31 euro and 0.61 euro depending on the volatility applied (i.e., between 40% and 80%). The theoretical value of a BSA is obtained by using the Black & Scholes method based on the following:

- Exercise price: 1.205 euro
- Maturity: 4 years
- Risk-free interest rate: 0%
- Rate of dividend payment: 0%

New shares resulting from the conversion of the OCA and/or exercise of the BSA

The new shares issued upon conversion of the OCA and/or exercise of the BSA shall bear dividend rights. They shall have the same rights as those attached to existing ordinary Delta Drone shares and shall be admitted for trading on the Alternext Paris market under the same code (ISIN Code FR0011522168, Mnemonic Code ALDR).

Delta Drone shall maintain an up-to-date chart on its website showing the status of the Warrants, OCA, BSA and the number of shares created and in circulation.

This issuance, which shall not require the drawing up of a prospectus for approval by the *AMF*, must be authorized beforehand by an upcoming Extraordinary General Shareholders' Meeting.

Theoretical future impact of the issuance of the OCABSA upon exercise of the Warrants (based on the lowest of the ten (10) average volume-weighted daily prices of the Delta Drone share (as released by Bloomberg) preceding 27 October 2016, i.e., 1.0958 euros)

As a general indication only, the impact of issuing all of the OCABSA (for a total par amount of 25 million euros) would be as described below. This dilution does not assume either the final number of shares to be issued or their issue price, which shall be set based on the trading price as described above.

Effect of the issuance on the consolidated net assets per share (based on the consolidated shareholders' equity (Group share) as at 30 June 2016 and the number of shares making up Delta Drone's share capital as at 27 October 2016 (i.e., 24,508,331 shares))

	Consolidated net assets per share (in euros)	
	1 st block	Total
Before issue	€0.41	
After issue of a maximum of 1,962,527 shares (1 st block) or 24,531,593 shares (all blocks), new ordinary shares resulting from the conversion of the OCA:	€0.44	€0.68
After issue of a maximum of 3,622,278 shares (1 st block) or 45,278,480 shares (all blocks), new ordinary shares resulting from the conversion of the OCA and the exercise of the BSA:	€0.49	€0.83

Effect of the issue on the shareholders' situation

	Shareholder stake	
	1 st block	Total
Before issue	1%	
After issue of a maximum of 1,962,527 shares (1 st block) or 24,531,593 shares (all blocks), new ordinary shares resulting from the conversion of the OCA:	0.93%	0.50%
After issue of a maximum of 3,622,278 shares (1 st block) or 45,278,480 shares (all blocks), new ordinary shares resulting from the conversion of the OCA and the exercise of the BSA:	0.93%	0.35%

Indicative schedule for transactions

2 November 2016	Publication in the Mandatory Legal Announcements Bulletin (<i>BALO</i>) of the notice of meeting, valid as notification of shareholders of the Extraordinary General Shareholders' Meeting to be held on 7 December 2016
Pending	Prospectus to be approved by the AMF for changing the compartment on the Alternext Paris for the Delta Drone shares from compartment E1 (private investment) to compartment E2 (public offer)
7 December 2016	Delta Drone's Extraordinary General Shareholders' Meeting held to vote on authorizing the Board of Directors to proceed with the reserved issue of 2,500 OCABSA Warrants YA II CD, Ltd
7 December 2016	Board of Directors decides to issue 2,500 OCABSA Warrants to YA II CD, Ltd

The Company shall issue a press release at the time of the issuance (and then the exercise) of the 2,500 Warrants.

As regards the second OCABSA transaction that was the subject of press releases dated 24 March 2015 and 21 May 2015, it is specified that the first eight OCABSA blocks were subscribed by the Investor and allowed the creation of 9,178,906 new ordinary shares, 2,278,688 from the exercise of BSA. In parallel, 750 of the 800 OCA corresponding to the first eight blocks were converted.

In addition:

- the Investor and the Company have agreed to abstain from respectively proceeding with or requesting the exercise of the two last OCABSA warrants of the second transaction until the earliest of the following dates: (i) the final issuance date for the OCABSA Warrants of the third transaction, subject of this press release or (ii) 31 December 2016;
- the Investor has agreed to exercise at least one of the two last OCABSA warrants from the second OCABSA transaction before 13 January 2017, subject to the issue of the Warrants from the third OCABSA transaction that is the subject of this press release prior to said date.

Finally, the ongoing monitoring of the creation of new shares resulting from OCA conversions or the exercise of BSA for each OCABSA block shall be the subject of a tab that is routinely updated and available on the DELTA DRONE website.

Note

(1) Conditions for issuing a block of OCABSA at Delta Drone's request (the "Request"):

- no material adverse change has occurred;
- all of the previous OCA blocks have been fully converted or reimbursed;
- all of the OCA from the second OCABSA transaction have been issued and fully converted or reimbursed for at least ten (10) calendar days;
- the closing price of the Delta Drone share on the day before the Request exceeds or is equal to €1.00;
- no default or event that could constitute a case of default if not resolved on the date of the Request;
- no event making it impossible for the bearers to convert the OCA during the 90 days preceding and including the date of the Request;
- no suspension of the listing of the Delta Drone shares (other than a suspension during a trading session at Euronext's initiative) during the 90 days preceding and including the day of the Request; and
- Delta Drone has an authorized and available number of shares equal to at least (i) twice the number of shares to be issued pursuant to the conversion of the OCA to be issued and in circulation (based on the conversion price applicable on the date of the Request), plus (ii) the number of shares to be issued pursuant to the exercise of the BSA to be issued and in circulation.

About Delta Drone: *The Delta Drone Group is a renowned player in the field of civilian drones for professional use. It offers a complete service, from data acquisition to data processing through a specifically developed information system, including a supply of professional pilots. These pilots are trained and certified by EFD, a subsidiary of the Group, and local partners.*

Delta Drone is listed on the Alternext market of Euronext Paris.

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