

ASX Announcement

29 April 2019

MARCH 2019 QUARTERLY REPORT

HIGHLIGHTS

- Cash receipts totalled US\$282K for the quarter
- Closure of Entitlement offer at AU\$846,240.90
- Secured an additional waiver for "flight over people" and "Beyond Visual Line of Sight" using ParaZero's drone safety systems
- SafeAir Phantom meets the requirements to the highest safety standard
- Expanding market footprint in Europe

Drone safety systems company **ParaZero Limited (ASX: PRZ)** is pleased to provide a business update for the quarter ending 31 March 2019 (Q1 2019).

Commenting on the Company's progress over Q1 2019, CEO Eden Attias said, "ParaZero is actively working with industry leaders to shape the future of drone safety. In addition to our achievement in meeting the requirements of the ASTM, the highest safety standard, our involvement in the formation of drone regulation, ParaZero's safety solutions are proving successful in waiver applications."

"We continue to develop commercial relationships with drone distributors globally, offering safety systems which can be attached seamlessly to commercial drones."

FINANCIAL OVERVIEW

ParaZero recorded cash receipts in Q1 2019, of US\$282K.

Total operating outflows during the quarter totaled US\$1.26 million, which was broadly in line with expectations. Cash at the end of the quarter was US\$170K.

Cash outflows in the coming June 2019 quarter are expected to be below March quarter, at US\$994K.

As announced on 12 April 2019, the Company secured an additional AU\$1.54m (before costs) via a placement.

OPERATIONAL OVERVIEW

Generating sales and expanding into new markets

The Company expanded its global footprint during Q1 2019, expanding its market reach in Europe by opening new markets in Hungary, Slovenia and Poland with its SafeAir Systems. Agreements included initial orders of a few dozen units for ParaZero safety systems dedicated to the DJI product range.

Throughout the quarter, there were a series of ParaZero's SafeAir Drone Safety systems deployment demonstrations throughout Europe to local public safety and security officials. These demonstration days took place in the United Kingdom to local police representatives, In Poland to more than a hundred public safety officials and in Hungary

to public safety and security officials. All events were orchestrated by leading distributors working with ParaZero.

ParaZero began sales of its SafeAir Phantom for use with SZ DJI Technology Co. Ltd (DJI) drone, the Phantom 4 to resellers and distributors in the United States, Europe and Australia,

Strong Regulatory Drivers

The US FAA restricts the flight of UAS over unprotected people as a safety precaution, which has curbed industry growth as it prevents most UAS operations in urban environments. In January, the proposed changes, recently released in a Notice of Proposed Rulemaking (NPRM) by the United States Department of Transportation and the Federal Aviation Administration (FAA), would, for the first time, allow routine flights over people and at night, provided appropriate safety precautions are met. **ParaZero is expected to enable drone operators to fly over people according to new FAA draft regulations.** This will significantly increase commercial opportunities as flight over people is a critical aspect in expanding the commercial drone industry. ParaZero has submitted its comments to the Notice of Proposed Rulemaking (NPRM). In addition, comments have been submitted also to a new Israeli draft regulation.

During the quarter, the United States Federal Aviation Administration (FAA) granted an additional waiver for 'flight over people' and 'Beyond Visual Line of Sight' for regulated Unmanned Aerial Systems (UAS) using ParaZero's SafeAir systems. The first was awarded in early October 2018 to North Dakota drone operator Botlink for use by law enforcement and media during a large sporting event. The second FAA waiver was granted to ParaZero customer Airobotics in December, with the integration of ParaZero's parachute system a key factor in the approval. During this quarter, a second Botlink waiver was approved, for operations over people monitoring floods in North Dakota. There has been continued progress with the FAA regarding waivers.

ParaZero's SafeAir Phantom was the first drone safety system to comply with Slovenia's UAS parachute regulation for category B, which allows drone flight over urban areas.

ParaZero has achieved ASTM compliance for its SafeAir Phantom system. This opens the door for commercial waivers for drone flights over people. ParaZero's SafeAir Phantom, is the only system in the world to comply with the new ASTM standard for the world's bestselling drone, the DJI Phantom4. A Phantom 4 equipped with a SafeAir Phantom is expected to be an acceptable means of compliance with the requirements for flight over people in the US FAA recently published draft rule.

In addition, the Civil Aviation Authority (CAA) UK approved an Operational Safety Case (OSC) that allows extended visual line of sight operations. ParaZero's drone safety system is one of the risk mitigation systems being used.

Commercialization and manufacturing

The integration of ParaZero's safety systems into drone manufacturing remains key to the Company's long-term commercialization strategy.

In 2019, ParaZero commenced the sale of its SafeAir Phantom. The Company is moving forward as planned with the manufacturing and launch of the SafeAir Mavic in the upcoming months. As SZ DJI Technology Co. (DJI) announced that the Phantom 4 drone is no longer in production, ParaZero has increased its manufacturing units of the new Mavic 2 and Mavic Pro series.

ParaZero would like to note that the Company has been named as a finalist in the Safety Solutions category of the XCELLENCE Awards by the Association for Unmanned Vehicles Systems International (AUVSI).

CORPORATE OVERVIEW

Strengthening leadership and industry experience

During this quarter, the Board was strengthened with the appointment of Chris Singleton, bringing extensive corporate management and marketing experience in several sectors to the Company.

ParaZero strengthened its leadership and industry experience during the quarter, appointing Ran Kaspi as the new CFO. Ran brings vast experience in corporate finance, business analytics and strategic planning in international companies. This appointment supports the company growth strategy with additional expertise and capabilities.

-ENDS-

For more information, please contact:

Corporate enquiries

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About ParaZero

ParaZero (www.parazero.com) was founded in 2014 with the vision to enable the global drone industry to realise its greatest potential. ParaZero offers smart and intuitive solutions for commercial and consumer drone markets to enable drone industry growth by designing, developing and providing best-in-class autonomous safety systems.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ParaZero Limited

ABN

17 618 678 701

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$US'000	\$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	282	282
1.2 Payments for		
(a) research and development	(99)	(99)
(b) product manufacturing and operating costs	(486)	(486)
(c) advertising and marketing	(63)	(63)
(d) leased assets	-	-
(e) staff costs	(544)	(544)
(f) administration and corporate costs	(247)	(247)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(0)	(0)
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	186	186
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(976)	(976)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	577	577
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(16)	(16)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	561	561

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	585	585
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(976)	(976)

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	561	561
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter *	170	170

* Subsequent to the end of the quarter, the Company received binding commitments from institutional and sophisticated investors for a placement of A\$1.54m (before costs) (US\$1.10m based on an exchange rate of 0.71478).

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	170	585
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	170	585

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$US'000**

70

-

Item 1.2 includes directors' fees and salaries.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$US'000**

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	41	41
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facility 1 – secured long term bank loan of US \$8k bearing interest rate of 5.7%.

Loan facility 2 – secured long term bank loan of US \$10k bearing interest rate 5.7%.

Loan facility 3 – secured long term bank loan of US \$14k bearing interest rate 3.25%.

Loan facility 4 – secured long term bank loan of US \$9k bearing interest rate of 3.25%.

9. Estimated cash outflows for next quarter*	\$US'000
9.1 Research and development	43
9.2 Product manufacturing and operating costs	306
9.3 Advertising and marketing	48
9.4 Leased assets	-
9.5 Staff costs	379
9.6 Administration and corporate costs	202
9.7 Other (provide details if material)	16
9.8 Total estimated cash outflows	994

* The Forecast does not include revenues expected in Q2 of the calendar year.

* The Forecast does not include a secured capital raise of A\$1.54M in Q2.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.



Sign here:

Company Secretary

Date: 29 April 2019

Print name: Mr Stephen Buckley

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.