

ASX Announcement**30 July 2019****JUNE 2019 QUARTERLY REPORT****HIGHLIGHTS**

- FAA Grants ground-breaking approval (Waiver) to flight over people for UAS operator using ParaZero's safety system
- 4 first ever, FAA waivers were granted in June. Further waivers granted since end of the quarter
- Launch ASTM Compliant SafeAir Mavic Following compliance Testing and validation by Northern Plains UAS Test Site
- Expanding market footprint in Europe with new distributors and compliance with local regulations
- Cash receipts totalled US\$269K for the quarter
- Closure of Private Placement at US\$1,061K (AU\$1,543K)

Drone safety systems company **ParaZero Limited (ASX: PRZ)** is pleased to provide a business update for the quarter ending 30 June 2019 (Q2 2019).

Commenting on the Company's progress over Q2 2019, CEO Eden Attias said, "Enabling flight over people and beyond visual line of sight is our core business. Q2 embedded one of the significant milestones in this field. Having several waivers for flight over people (formal approval to act beyond the existing regulation) granted to a variety of large-scale operators has proven the use of ParaZero. This will pave the way for broader and more scalable regulation that will expand the safe use of drone technology into our day to day life – we are proud to successfully lead this effort. I believe we have all witnessed the market gather momentum with the recent announcements coming from many of the leading commercial drone players. We feel that ParaZero is well positioned to serve this emerging growth market."

FINANCIAL OVERVIEW

ParaZero recorded cash receipts in Q2 2019, of US\$269K.

Total operating outflows during the quarter totaled US\$948K (inclusive of VAT returns and grants), which was broadly in line with expectations. Cash at the end of the quarter was US\$484K.

Cash outflows in the September 2019 quarter are expected to be in line with the June quarter, at US\$1,059K (not inclusive of expected VAT returns and grants).

OPERATIONAL OVERVIEW**Expanding the product offering**

In Q3 onward the Company will focus on leveraging its achievements in the regulatory environment. The Company business plan has been updated accordingly to reflect the selling of ASTM licensing as a key source of revenue. This comes together with shifting back the effort towards expanding the Company's OEM client base. Providing a certification and compliance service is expected to bring new income streams whilst the OEM market ripens.

Strong Regulatory Drivers

The US FAA restricts the flight of UAS' over unprotected people as a safety precaution, curbing industry growth as it prevents most UAS operations within urban environments.

In Q2 ParaZero achieved its greatest regulatory success to date. In the month of June, the FAA approved 4 waivers for flight over people based on the ASTM compliance of the SafeAir Mavic and SafeAir Phantom. The FAA released a rare statement saying that the process used in these waivers is replicable and scalable to other operators using the same drones and parachute systems. While ParaZero has secured waivers for operations over people in the past, these were never with off-the-shelf SafeAir Systems.

ParaZero's system, controlled by its automated electronics, are currently the only ones being used in approved waivers.

In Europe, the new European Union Aviation Safety Authority (EASA) sUAS regulations came into effect. These regulations will harmonise the rules amongst all member states, reducing the fragmentation and confusion in the rules. The EASA regulations also define 80 joules as the limit under which flight over people would be permitted. Various ParaZero systems would potentially comply with this requirement. Official means of compliance are still being developed by EASA and the member states.

Transport Canada's (TC) new drone regulations came into effect on 1 June 2019. For flight over people, drone manufacturers or modifiers will have to declare compliance with the requirement of the rule (based on human injury and reliability limitations). In Q2 ParaZero studied the requirements for flight over people and are working towards declaring compliance in early Q3.

Commercialisation and manufacturing

The integration of ParaZero's safety systems into drone manufacturing remains key to the Company's long-term commercialisation strategy. Currently the Company supports manufacturing through a variety of verticals such as – delivery, security, inspection and near urban environment.

In Q2 2019, ParaZero commenced presale activity of its new SafeAir Mavic 2 and Mavic Pro series with 600 units sold in this period. The Mavic type drone is been highly adopted by police forces around the globe as well as the thousands of entry lever commercial operators in the verticals of filming, media, construction.

-ENDS-

For more information, please contact:

Corporate enquiries

Stephen Buckley
Company Secretary
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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")

30 June 2019

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$US'000	\$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	269	551
1.2 Payments for		
(a) research and development	(29)	(128)
(b) product manufacturing and operating costs	(298)	(784)
(c) advertising and marketing	(84)	(147)
(d) leased assets	-	-
(e) staff costs	(445)	(989)
(f) administration and corporate costs	(248)	(495)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(17)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	173	359
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(679)	(1,655)

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	1,061	1,638
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	(52)	(52)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(16)	(32)
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	993	1,554

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	170	585
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(679)	(1,655)

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)	993	1,554
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter *	484	484

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	484	170
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)	484	170

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

**Current quarter
\$US'000**

73

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- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

**Current quarter
\$US'000**

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- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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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	25	25
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 \$4.5k bearing interest rate of 5.7%.

Loan facility 2 – secured long term bank loan of US \$5.5k bearing interest rate 5.7%.

Loan facility 3 – secured long term bank loan of US \$9k bearing interest rate 3.25%.

Loan facility 4 – secured long term bank loan of US \$6k bearing interest rate of 3.25%.

9. Estimated cash outflows for next quarter*	\$US'000
9.1 Research and development	86
9.2 Product manufacturing and operating costs	364
9.3 Advertising and marketing	45
9.4 Leased assets	-
9.5 Staff costs	360
9.6 Administration and corporate costs	188
9.7 Other (provide details if material)	16
9.8 Total estimated cash outflows	1,059

* The Forecast does not include revenues expected in Q3 of the calendar year.

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:


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Company Secretary

Date: 30 July 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.