

13 August 2019

Ms P Reid
Adviser, Listings Compliance
ASX Limited
Level 40
152 St Georges Terrace
PERTH WA 6000

By email: ListingsCompliancePerth@asx.com.au

Dear Ms Reid

I refer to your letter dated 12 August 2019 regarding the Company's Appendix 4C for the period ended 30 June 2019.

In response to the questions outlined in your letter, the Company responds as follows:

1. **Does PRZ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

In our response to your letter of 30 November 2018, PRZ noted that it is reasonable to expect the Company to continue to have a negative operating cashflow into the foreseeable future, at least until the second half of 2019.

PRZ has made several market announcements about the increasing number of waivers being granted for flight over people in both the USA and Canada utilising ParaZero's SafeAir Systems. Unfortunately, the growth of this wider acceptance has not progressed as fast as PRZ anticipated.

PRZ expects that the Company's operating cash flows will remain negative for the next 12 months and the Company has developed a long term business plan that is in line with these growth expectations.

2. **Has PRZ 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?**

PRZ announced on 17 July 2019, that it has engaged the services of FMI Capital Advisory Inc. as its Canadian financial consultant in connection with a transaction or transactions whereby the Company is considering seeking a dual listing of its shares on a Canadian stock exchange. In parallel, Foundation Markets Inc. was appointed as an exclusive financing agent to complete a private placement of up to CAD\$1,000,000 or an amount mutually agreed.

This initial placement is expected to be completed by early September 2019 with a plan for a more significant raise accompanied with a potential dual listing of the Company on a Canadian stock exchange in line with the announcement on 17 July 2019.

3. **Does PRZ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

PRZ expects that the combination of a successful Financing activity as described in question #2 along with the continuing growth in revenues will allow PRZ to continue its operations and to meet its business objectives.

In addition, the recent developments within the regulatory environment in North America supports the Company's growth plan and this will generate new activity from existing and new OEM's (drone manufacturers) that will have to meet the regulatory requirements and from commercial users that will need certified products and licensing in order to conduct their business activity.

4. **Please confirm that PRZ is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.**

PRZ confirms that it is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

5. **Please confirm that PRZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PRZ with delegated authority from the board to respond to ASX on disclosure matters.**

PRZ confirms that the responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy and by its board.

6. **Please also provide any other information that PRZ considers may be relevant to ASX forming an opinion on whether PRZ is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.**

PRZ is confident that it is positioned well to take immediate benefit from the increase in waivers as to date, ParaZero SafeAir Systems are the first and only ASTM compliant parachute systems that are in use in the United States under Federal Aviation Authority waivers for operations over people.

PRZ's revenues continue to grow and whilst these revenues have not grown as fast as was originally anticipated, PRZ believes it has the business plan in place to see it through this phase until it is able to operate on a cashflow positive basis.

Yours sincerely



Stephen Buckley
Company Secretary
ParaZero Limited



12 August 2019

Reference: ODIN05312

Mr Stephen Buckley
Company Secretary
Parazero Limited
Level 12, 46-50 Kings Park Road
WEST PERTH WA 6005

By email: stephen.buckley@companysecsol.com.au

Dear Mr Buckley

Parazero Limited ('PRZ'): Appendix 4C Query

ASX refers to PRZ's Appendix 4C quarterly report for the period ended 30 June 2019 lodged with the ASX Market Announcements Platform and released on 30 July 2019 (the 'Appendix 4C').

ASX notes that PRZ has reported:

- negative net operating cash flows for the quarter of \$679,000;
- cash at the end of the quarter of \$484,000; and
- estimated cash outflows for the next quarter of \$1,059,000.

It is possible to conclude, based on the information in the Appendix 4C, that if PRZ were to continue to expend cash at the rate indicated by the Appendix 4C, PRZ may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks PRZ to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does PRZ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has PRZ 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?
3. Does PRZ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that PRZ is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that PRZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PRZ with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that PRZ considers may be relevant to ASX forming an opinion on whether PRZ is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AWST Friday, 16 August 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in PRZ's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PRZ's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to PRZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that PRZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PRZ's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)