

## Lodgement of Prospectus with ASIC

Drone Safety Systems company, **ParaZero Limited (ASX: PRZ) (ParaZero or the Company)** advises that it has today lodged the attached Prospectus with the Australian Securities and Investments Commission in support of its re-compliance application to be made to ASX.

This announcement has been authorised by the Board of ParaZero Limited.

**-ENDS-**

For further information, contact:

**Investors**

Eric Kuret  
Market Eye  
P: +61 417 311 335  
E: eric.kuret@marketeye.com.au

**Media**

Tristan Everett  
Market Eye  
P: +61 403 789 096  
E: tristan.everett@marketeye.com.au

**About ParaZero Limited**

**ParaZero** ([www.parazero.com](http://www.parazero.com)) was founded in 2014 to accomplish a vision to enable the drone industry to realise its greatest potential. ParaZero offers a smart and intuitive solution to enable drone industry growth by designing, developing and providing best-in-class autonomous safety systems for commercial drones.

# PARAZERO LIMITED

(TO BE RENAMED **DELTA DRONE INTERNATIONAL LTD**)

ACN 618 678 701

## PROSPECTUS



THIS PROSPECTUS IS FOR AN OFFER OF UP TO 125,000,000 FULLY PAID ORDINARY SHARES ('NEW SHARES') AT AN ISSUE PRICE OF \$0.04 PER SHARE TO RAISE UP TO \$5.0 MILLION BEFORE COSTS (OFFER).

MINING | AGRICULTURE | TRAINING | SAFETY | DELIVERY





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ParaZero Ltd  
(to be renamed Delta Drone International Ltd)  
ACN 618 678 701

## PROSPECTUS

This Prospectus is for an offer of  
up to 125,000,000 fully paid ordinary shares ('**New Shares**')  
at an issue price of \$0.04 per Share  
to raise up to \$5.0 million before costs ('**Offer**').

Lead Manager to the Offer:



[bakeryoung.com.au](http://bakeryoung.com.au)

**The Offer Is Not Underwritten**

### IMPORTANT INFORMATION

This Prospectus is an important document that should be read in its entirety.  
If you do not understand this Prospectus you should consult your professional advisers.  
**THE SECURITIES OFFERED UNDER THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.**

10 November 2020



# 1 IMPORTANT NOTICES

## 1.1 Offer

The offer (**'Offer'**) contained in this prospectus (**'Prospectus'**) is an invitation to apply for fully paid ordinary shares (**'Shares'**) in ParaZero Ltd (ACN 618 678 701) (to be renamed 'Delta Drone International Ltd'), a company registered under the laws of Australia (**'Company'**). This Prospectus is issued by the Company under Chapter 6D of the *Corporations Act 2001* (Cth) (**'Corporations Act'**).

## 1.2 Lodgement and re-listing

This Prospectus is dated 10 November 2020 (**'Prospectus Date'**) and was lodged with the Australian Securities and Investments Commission (**'ASIC'**) on that date. The Company's shares are already listed on the ASX Limited (**'ASX'**) under the ASX code 'PRZ'. The Company will within seven days of the Prospectus Date seek quotation of the Shares issued under this Prospectus on the ASX.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the Offer contained in it. The fact that ASX may list the Shares for quotation is not to be taken in any way as an indication of the merits of the Company, the Offer or the Shares.

## 1.3 Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**'Expiry Date'**). No shares will be allotted, issued or transferred based on this Prospectus after the Expiry Date.

## 1.4 Notice to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, personal circumstances (including financial and taxation issues) or particular needs.

You should read this Prospectus in its entirety before deciding to invest in the Company. In particular, you should refer to section 8 for Financial Information relating to the Company and section 7 for details of the risk factors that could affect the performance of the Company. You should consider the prospects of the Company in light of your individual objectives, circumstances, financial situation and needs. You should seek professional advice from a stockbroker, solicitor, accountant or other independent financial adviser before deciding to invest in the Company. There may be risks in addition to those risks set out in this Prospectus that should be considered in light of your personal circumstances.

## 1.5 Disclaimer

Except to the extent required by law, neither the Company nor any other person guarantees the success of the Company, the repayment of capital, the payment of dividends or the price at which the Shares will trade on the ASX.

## 1.6 Obtaining a copy of this Prospectus

A paper copy of this Prospectus is available free of charge to any person by telephoning the ParaZero Offer Information Line on +61 8 8236 8888 between 9:00am and 5:00pm (AEST) Monday to Friday.

This Prospectus is also available in electronic form at [www.parazero.com/investor-relations/prospectus](http://www.parazero.com/investor-relations/prospectus) only to persons within Australia. Persons who access this Prospectus electronically should ensure they download the entire Prospectus, accompanied by the application form for the Shares (**'Application Form'**).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper or electronic version of this Prospectus. The Company reserves the right not to accept a completed Application Form if it has reason to believe that, when the Applicant accessed the Application Form electronically, the Applicant did not also obtain a complete electronic version of this Prospectus and any relevant supplementary or replacement Prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way.

## 1.7 Application for Shares

An application for Shares (**'Application'**) must be made on a paper copy of the Application Form attached to, or accompanying, this Prospectus, or via the electronic application form that accompanies the electronic version of this Prospectus. Please refer to section 13 for instructions as to how to make an Application for Shares.

## 1.8 Exposure Period

The Corporations Act prohibits the Company from accepting or processing Applications in the seven (7) day period after the Prospectus Date (**'Exposure Period'**). The Exposure Period may be extended by ASIC by up to seven (7) further days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## 1.9 Foreign jurisdictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares being offered under this Prospectus may not be offered or sold, in any country outside Australia except to the extent permitted below.

## 1.10 Important information for Denmark and Czech Republic investors

This Prospectus has not been, and will not be, registered with or approved by any securities regulator in Denmark, Czech Republic or elsewhere in the European Union. Accordingly, this Prospectus may not be made available, nor may Shares be offered for sale, in Denmark or Czech Republic except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the '**Prospectus Regulation**'). In accordance with Article 1(4) of the Prospectus Regulation, an offer of Shares in each of Denmark and Czech Republic is limited: (i) to persons who are 'qualified investors' (as defined in Article 2(e) of the Prospectus Regulation); (ii) to fewer than 150 natural or legal persons (other than qualified investors); or (iii) in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

## 1.11 Important information for Hong Kong investors

**WARNING:** The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## 1.12 Important information for Israel investors

The Shares have not been registered, and no prospectus will be issued, under the Israeli Securities Law, 1968 (the '**Securities Law**'). Accordingly, the Shares will only be offered and sold in Israel pursuant to private placement exemptions, namely (i) to no more than 35 offerees or (ii) to 'sophisticated investors' as described in the First Addendum of the Securities Law, subject to certain conditions. Neither this document nor any activities related to the Offer shall be deemed to be the provision of investment advice. If any recipient of this document is not the intended recipient, such recipient should promptly return this document to the Company. This document has not been reviewed or approved by the Israeli Securities Authority in any way.

## 1.13 Important information for New Zealand investors

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

## 1.14 Important information for United States investors

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. The Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the Shares will only be offered and sold in the United States to existing shareholders of the Company who are 'accredited investors' (as defined in Rule 501(a) under the US Securities Act).

## 1.15 Liability for Prospectus

No person is authorised to give any information, or to make any representation, in connection with the Offer, other than that which is contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, any director of the Company, the Lead Manager to the Offer or any other person in connection with the Offer. The Company is not liable for this Prospectus, or in respect of the Offer, except to the extent required by law.

## 1.16 Forward-looking statements

Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements. Forward-looking statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Company's ability to control or predict which may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions and contingencies and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will occur or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward-looking statements may be based are reasonable. You should make your own independent assessment of the information and seek your own independent professional advice in relation to the information and any action taken based on of the information. None of the Company, any director of the Company, the Lead Manager to the Offer or any other adviser to the Company makes any representation or warranty as to the accuracy of any forward-looking statements contained in this Prospectus. Forward-looking statements speak only as at the Prospectus Date and the Company, the directors of the Company, the Lead Manager to the Offer and all other advisers to the Company disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this Prospectus.

### **1.17 Past performance**

Past performance information in this Prospectus is given for illustrative purposes only and should not be relied on as (and is not) an indication of future performance. Actual results could differ materially from those referred to in this Prospectus.

### **1.18 Photographs and diagrams**

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, or that the assets shown in them are owned by the Company. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables included in this Prospectus is based on information available to the Company at the Prospectus Date.

### **1.19 Contract summaries**

All summaries of contracts set out in this Prospectus (including in section 14.8) are included for the information of potential investors only and do not purport to be complete and are qualified by the text of the relevant contracts themselves.

## **1.20 Market and industry information**

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets, as cited in relevant sections within this document. The information contained in these cited reports has been accurately reproduced, and, as far as the Company is aware, no facts have been omitted which would render the information provided inaccurate or misleading. The Company has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the cited reports. Accordingly, the accuracy and completeness is not guaranteed. Investors should note that market data and statistics are inherently predictive, subject to uncertainty, and are not necessarily reflective of actual market conditions.

## **1.21 Privacy**

By completing an Application Form, you are providing personal information to the Company and the Share Registry which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside Australia by the Company and the Share Registry on their behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide the necessary information, the Company may not be able to process your Application. As a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public Share register. This information must continue to be included in the Company's public Share register even if you cease to be a Shareholder.

The Company and the Share Registry on their behalf, may disclose your personal information for purposes relating to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Company's public Share register;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- the Company in order to assess your Application;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and



- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Offer and for the associated actions.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by the public.

### **1.22 Report on financial information and Financial Services Guide**

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a Financial Services Guide in relation to the review under the Corporations Act. The Financial Services Guide is provided in section 10.

### **1.23 Company website**

All references to the Company's website in this Prospectus are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated by reference into this Prospectus.

### **1.24 Defined terms and abbreviations**

Please refer to the glossary on page 135 for explanations of defined terms and abbreviations used in this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Australia. All financial amounts contained in this Prospectus are expressed in either US dollars or Australian dollars, and are marked as such, unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

### **1.25 Questions**

If you have any questions about how to apply for Shares, please contact your broker or other adviser. If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to do so. For any other questions about the Offer, please contact the ParaZero Offer Information Line on +61 8 8236 8888 between 9:00am and 5:00pm (AEST) Monday to Friday.



## 2 CHAIRMAN'S LETTER

Dear Investor,

I am pleased to present to you this opportunity to become a Shareholder of ParaZero Ltd (to be renamed Delta Drone International Ltd) (the '**Company**'), formed from the merger of Delta Drone South Africa ('**DDSA**') and ParaZero Technologies Ltd ('**ParaZero Israel**').

DDSA is a proven and profitable provider of commercial Drone Data Services and has demonstrated its expertise in growing its core Rocketmine business, focused on the mining sector, into new combinations of industries and verticals while maintaining strong profit ratios. These new verticals include its innovative Rocketfarm agriculture-focused expansion and Drone Aviation Training Services business, which is a leading provider of commercial drone training services in South Africa.

The Company has demonstrated its ability to research, develop and commercialise drone technologies and products. The Company intends to leverage its existing technology expertise in order to deepen and complement DDSA's suite of services for current and future target markets. The Company's technologies allow the realisation of regular commercial drone services in urban and populated environments, which until now have been either banned or highly restricted by aviation regulators.

By combining these businesses, the Directors believe that the Company has an opportunity to develop a truly international drone services company, capable of operating in both urban and rural environments. This is expected to enable new services to be provided to a broad range of industrial and commercial markets that are currently finding it difficult to overcome the regulatory and operational burdens of flying drones in populated environments.

The Directors believe that the provision of Drones as a Service (the provision of labour, software and hardware related to the collection, processing and analysis of data gathered from unmanned operations) presents itself as a significant economic opportunity, as the combined DDSA and ParaZero Israel businesses ('**Merged Group**') have already generated A\$5.94m in revenue in Calendar Year 2019 alone (on a pro-forma basis). In addition, the Company has proven itself capable of recognising adjacent opportunities and creating new businesses.

Under this Prospectus, the Company is seeking to raise up to \$5.0m by the issue of up to 125,000,000 Shares at an offer price of \$0.04 per Share. Upon re-listing on the ASX, the Company is expected to have a market capitalisation at the Offer issue price of \$20m.

The Company intends to use the proceeds of the Offer as follows:

- Costs to establish an Australian Head Office: A\$0.57m
- Expenditure on Australian sales and marketing activities: A\$0.86m
- Costs associated with expansion of South African operations: A\$0.41m
- R&D expenses: A\$1.81m
- Working capital: A\$0.60m
- Fees and expenses associated with the re-listing: A\$0.75m

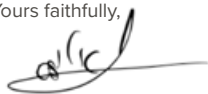
At the completion of the Offer, the company will have a strong balance sheet that is able to fund the intended establishment of Australian operations while maintaining sufficient working capital to fund the execution of management's growth plan.

This Prospectus contains detailed information about the Company and the Merged Group, its combined business operations, the markets in which it presently operates and those in which it expects to operate in the future, its Board and management team. This Prospectus also outlines a range of potential risks associated with an investment in the Company. The Directors believe the opportunity set in front of the Company is substantial due to the Company's industry position, its value proposition, and the opportunities for growth in its target markets, which all combine to give the Company the potential to create significant shareholder value over time.

Potential investors should consider an investment in the Company as speculative, contains risks, and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

I, and the team at the Merged Group, are excited by the challenge of growing our business as outlined in this Prospectus. I encourage you to read this document carefully and in its entirety before making your investment decision. I look forward to welcoming you as a Shareholder.

Yours faithfully,



**Chairman**

ParaZero Ltd (to be renamed Delta Drone International Ltd)

### 3 KEY OFFER INFORMATION

#### INDICATIVE TIMETABLE

Lodgement of Prospectus with ASIC	10 November
Offer Period opens	25 November
Offer Period closes	4 December
Issue of New Shares	8 December
Dispatch of holding statements	9 December
Quotation of Shares on ASX	22 December

*The above dates are indicative only and may change without notice.*

#### KEY STATISTICS OF THE OFFER

Existing ParaZero Shares	139,082,099
Shares to be Issued to Delta Drone SA for acquisition of Delta Drone South Africa	203,512,750
Offer Price per Share	\$0.04
Maximum total New Shares to be offered under Offer	125,000,000
Maximum cash proceeds to be received under Offer	\$5.0m
Maximum total number of ParaZero Shares at Listing	500,800,731
Maximum market capitalisation of Offer Price	\$20.0m
Ownership of investors in Offer at the Listing date	22.5%





THE COMPANY HAS AN OPPORTUNITY TO DEVELOP A TRULY  
**INTERNATIONAL DRONE SERVICES COMPANY**, CAPABLE OF  
OPERATING IN BOTH **URBAN** AND **RURAL** ENVIRONMENTS

## 4 INVESTMENT OVERVIEW

ITEM	SUMMARY	FURTHER INFO
<b>A. COMPANY</b>		
<b>Who is the issuer of this Prospectus?</b>	ParaZero Limited (ASX:PRZ), to be renamed Delta Drone International Limited (ACN 618 678 701) (' <b>Company</b> ').	Section 1.1
<b>Who is the Company?</b>	<p>The Company is an Australian public company that is listed on the Official List of ASX. The Company was incorporated on 21 April 2017 and was admitted to the Official List of ASX on 14 June 2018. The Company specialises in enabling drone operations in urban or populated areas. The Company uses state of the art technologies developed and owned by the Company.</p> <p>On 12 March 2020, the Company announced its intention to acquire Delta Drone South Africa (Pty) Ltd ('<b>DDSA</b>') from Delta Drone SA. DDSA is headquartered in Johannesburg and specialises in the provision of drone services for commercial use. DDSA is a market leader in the provision of these services to mining and agricultural companies in Southern Africa.</p> <p>The combination of DDSA's operating know-how and the technology developed by ParaZero Israel is expected to provide the Merged Group with a competitive advantage from an operational, safety and regulatory perspective over its existing competitors.</p>	Sections 5.3. & 5.4
<b>B. PROPOSED TRANSACTION</b>		
<b>What is the Proposed Transaction?</b>	On 7 October 2020, the Company entered into a share sale agreement (' <b>Share Sale Agreement</b> ') with Delta Drone SA to acquire, subject to the satisfaction of a number of conditions precedent, 100% of the issued capital in DDSA (' <b>Proposed Transaction</b> ').	Section 14.7
<b>Who is DDSA?</b>	<p>DDSA is a private company incorporated in the Republic of South Africa and is headquartered in Johannesburg, South Africa.</p> <p>DDSA specialises in the provision of drone services for commercial use and operates through multiple trading companies, including Rocketmine South Africa, Rocketmine Ghana and Drone Safety and Legal.</p> <p>DDSA was incorporated in August 2016 in connection with the acquisition of Rocketmine South Africa by Delta Drone SA.</p> <p>DDSA is a market leader in the provision of these services to mining and agricultural companies in Southern Africa.</p>	Section 5.2



ITEM	SUMMARY	FURTHER INFO
<b>What are the key terms of the Proposed Transaction?</b>	<p>The key terms of the Share Sale Agreement are as follows:</p> <p>a) (<b>‘Condition Precedent’</b>): Completion under the Share Sale Agreement is subject to the Company re-complying with the requirements to re-list on the Official List (or waiver of such condition precedent). Under the Share Sale Agreement, the condition precedent must be satisfied by 31 December 2020 unless otherwise agreed to be extended by the parties.</p> <p>b) (<b>‘Consideration’</b>): Upon completion of the Proposed Transaction, the Company will issue to Delta Drone SA:</p> <p>i) 203,512,750 Consideration Shares; and</p> <p>ii) 45,000,000 Performance Shares in three separate tranches, comprising (A) 20,000,000 Class A Performance Shares; (B) 15,000,000 Class B Performance Shares; and (C) 10,000,000 Class C Performance Shares, where such Performance Shares may convert into Shares on satisfaction of prescribed performance milestones.</p> <p>Following completion of the Proposed Transaction, Delta Drone SA is expected to hold a maximum of 54.49% of the Shares on issue in the Company (based on total cash proceeds of \$3.5 million received under the Offer, being the Minimum Subscription amount, and Delta Drone SA subscribing for 12,500,000 Shares under the Offer<sup>1</sup>). This percentage holding may increase further if the Performance Shares to be issued to Delta Drone SA convert into Shares in accordance with their terms.</p>	Section 14.7

<b>What is the effect of the Proposed Transaction?</b>	<p>The effect of the Proposed Transaction is that the nature and scale of the activities of the Company will change.</p> <p>On completion of the Proposed Transaction, the Company will act as the parent entity of DDSA and its respective subsidiaries, as well as the Company’s existing operating subsidiary, ParaZero Israel, a private company incorporated in Israel.</p> <p>Following completion of the Proposed Transaction, the Company will operate in the commercial drone services and technology industry.</p> <p>The Directors believe that the combination of DDSA’s operating knowhow and the technology developed by ParaZero Israel will provide the Company with significant competitive advantages from an operational, safety, regulatory and cost perspective over existing competitors in the drone services industry.</p>	Section 14.7
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<b>C. BUSINESS MODEL</b>		
<b>How will the Company generate income following completion of the Proposed Transaction?</b>	<p>The Company intends to generate income through fees from ongoing or one-off contracted Drone Data Services in Australia and Africa (supported by the Company’s technology to create competitive advantages in key industry verticals), upfront and licencing fees from sales of ParaZero’s SafeAir technology, and fees from the provision of training and other services through Drone Aviation Training Services.</p> <p>Income from the provision of Drone Data Services in Africa, ParaZero’s SafeAir technology and Drone Aviation Training Services are all existing revenue streams.</p> <p>The Merged Group has pro forma revenue across all segments of A\$5.94m in CY19. Section 5.5 outlines the business models of the Company’s different divisions.</p>	Section 5.5

<sup>1</sup> Delta Drone SA has expressed an intention to invest up to \$500,000 into the Offer.



ITEM	SUMMARY	FURTHER INFO
<b>What are the key business strategies of the Company?</b>	<p>The Company aims to remove the compliance obstacles in relation to the provision of drone services to industries including mining, agriculture and engineering and transport, by leveraging its technology.</p> <p>The Company seeks to meet the demand for fast and accurate drone services and data gathering, as well as to support all the regulatory, insurance and maintenance requirements needed to run these services safely and consistently.</p>	Section 5.5
<b>Who are the Company's customers?</b>	<p>DDSA currently provides its commercial drone services to mining and agriculture companies with operations in Southern Africa. Many of DDSA's customers are listed on major global securities exchanges.</p> <p>ParaZero Israel currently sells its drone safety systems to customers on a project-by-project basis and as a finished product to developers and original equipment manufacturers ('OEMS') of drone systems. ParaZero Israel's customers include OEMS in the United States, Israel, Japan, France, New Zealand, China and the Netherlands.</p> <p>Following completion of the Proposed Transaction, the Company intends to leverage its existing customer relationships to expand into the Australian market, where it will initially target local mining and agricultural businesses.</p>	Sections 5.2, 5.3, & 14.8.9
<b>What are the key dependencies of the Company's business model?</b>	<p>The Company's existing business model and achievement of financial success relies on the Company being able to develop and engage ongoing customer relationships, as well as achieving economies of scale in the provision of Drones as a Service in Australia and South Africa.</p> <p>In addition, the business model contemplates being able to successfully utilize ParaZero Israel technology to provide drone services to under-penetrated industries in urban and populated environments.</p>	Section 5.5

ITEM	SUMMARY	FURTHER INFO
<b>D. KEY ADVANTAGES AND KEY RISKS</b>		
<b>What are the key advantages of an investment in the Company?</b>	<ol style="list-style-type: none"> <li data-bbox="451 333 1241 517">1) <b>DDSA is a market leader in the provision of Drones-as-a-Service in Southern Africa.</b> DDSA derives the majority of its revenue from providing drone services and technology solutions to mining and agricultural companies. To date, DDSA has focused on increasing its market share in the niche sectors in which it operates, while maintaining profitability.</li> <li data-bbox="451 533 1241 714">2) <b>The Company intends to expand into the Australian market.</b> DDSA's clients are predominantly listed companies and include South32 and Newmont Mining. The Company intends to leverage these relationships in order to expand into the Australian market. DDSA has significant expertise in the provision of these services and sees Australia as a natural expansion of its existing southern African services.</li> <li data-bbox="451 730 1241 1084">3) <b>The Company expects to leverage ParaZero Israel technology in order to provide Drone Services in urban environments.</b> Following completion of the Proposed Transaction, the Company will have the capability to offer comprehensive commercial drone services into all environments, including Rural, Urban and Populated areas. The Company's solutions are capable of operating in difficult conditions such as those with Beyond Visual Line of Site ('BVLOS') and Night-Rating Operating Standards. DDSA has already demonstrated its ability to provide commercial drone services in rural operations through its South African and Ghanaian operations and intends to provide these services in Australia and other international markets in both Rural, Urban and Populated areas in due course.</li> <li data-bbox="451 1099 1241 1368">4) <b>The Company has developed a best-in-class autonomous drone safety system for use in urban environments.</b> Current regulations prevent full commercial operation of drones over populated areas, it is expected that this will not change without a regulator-approved drone safety system such as the Company's technology. The Company is a leader in this market with its smart sensing, best in class drone safety system. This technology is already compatible with a large number of commercial drones and provides advanced safety and data retention capabilities.</li> <li data-bbox="451 1384 1241 1592">5) <b>The Company will continue to operate and expand its drone training and safety business.</b> DDSA operates a drone training and safety business under the 'Drone Safety and Legal' brand. The Company intends to continue to grow this business and focus on training and personnel licensing in Southern Africa, with opportunities to establish a similar division in Australia in the future.</li> <li data-bbox="451 1608 1241 1733">6) <b>The Group has a highly credible and experienced management team.</b> Both entities in the Merged Group were founded by avionic and technology professionals, together with veteran drone operators, with the aim of solving the industry's operating, safety and regulatory challenges.</li> </ol>	Section 5.4, 5.10

ITEM	SUMMARY	FURTHER INFO
<p><b>What are the key risks of an investment in the Company?</b></p>	<p>Risks associated with an investment in the Company include the general and Company specific risks detailed in Section 7.</p> <p>In addition to the risks detailed in Section 7, key risk factors include:</p> <ol style="list-style-type: none"> <li>1) <b>Key personnel</b> <p>The Merged Group's key management personnel possess a considerable amount of knowledge and experience within the industries in which its businesses operate. If any of these people were unable to perform their roles for any reason, the Company may fail to meet its business goals and suffer increased costs in replacing personnel or recreating knowledge.</p> </li> <li>2) <b>Regulation</b> <p>The Merged Group's businesses are significantly impacted by drone safety regulation in the jurisdictions in which they operate. Changes in the regulatory environment may lead to a loss of revenues for the Merged Group. Further, it could hinder the ability of these businesses to retain existing customers and attract new customers, particularly if their products or services were perceived to be less compliant than its competitors, which would have a material adverse impact on the Company's prospects.</p> </li> <li>3) <b>Limited operating history</b> <p>The Company's research and development business, ParaZero Israel, was incorporated in 2013. Given the limited operating history of ParaZero Israel, no assurance can be given that it will achieve commercial viability through the implementation of its business plan.</p> </li> <li>4) <b>Information technology</b> <p>Each member of the Merged Group leverages technology to provide value to its customers. As a result, it is exposed to various technology related risks, including technological obsolescence, software or hardware breakdowns, data breaches and cyber attacks.</p> </li> <li>5) <b>Intellectual property protection</b> <p>A substantial part of the commercial success of the Merged Group will depend on its ability to maintain, establish, and protect its intellectual property assets, maintain trade secret protection and operate without infringing the proprietary rights of third parties.</p> </li> <li>6) <b>Competition</b> <p>The markets in which the Merged Group operates are particularly competitive due to the lucrative nature of the contracts and contacts available within the commercial and industrial drone industries. The performance of each member of the Merged Group could be adversely affected if existing or new competitors reduce its market share through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.</p> </li> </ol> <p><i>Continued over...</i></p>	<p>Section 7</p>



ITEM	SUMMARY	FURTHER INFO
<p><b>What are the key risks of an investment in the Company?</b> <i>(continuation)</i></p>	<p>7) <b>International operations</b></p> <p>On completion of the Proposed Transaction, the Merged Group's operations will be conducted exclusively outside of Australia, including in Israel and Southern Africa. The Merged Group is therefore subject to a number of risks inherent in multi-jurisdictional business, including (but not limited to) political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international export laws and regulatory requirements, risks stemming from lack of local business experience in specific foreign countries, difficulty in enforcing foreign contracts and intellectual property rights, changes to or uncertainty in relevant legal and regulatory regimes (including in relation to taxation and foreign investment and practices of government and regulatory authorities), language and other cultural barriers.</p> <p>8) <b>Delta Drone SA holding post-completion of the Proposed Transaction</b></p> <p>Following completion of the Proposed Transaction, Delta Drone SA is expected to hold a maximum of 54.49% of the Shares on issue in the Company (based on total cash proceeds of \$3.5 million received under the Offer, being the Minimum Subscription amount, and Delta Drone SA subscribing for 12,500,000 Shares under the Offer<sup>2</sup>). This percentage holding may increase further if the Performance Shares to be issued to Delta Drone SA convert into Shares in accordance with their terms. Delta Drone SA may be in a position to exert significant influence over the outcome of matters relating to the Company, including the election of Directors and approval of transactions. The interests of Delta Drone SA may be different from the interests of investors who purchase Shares under this Prospectus.</p>	Section 7

## E. DIRECTORS AND KEY MANAGEMENT PERSONNEL

<p><b>Who are the Directors and senior management?</b></p>	<p>On completion of the Proposed Transaction, the Directors of the Company will be:</p> <ul style="list-style-type: none"> <li>• <b>B Gen (ret.) Eden Attias</b> Executive Chairperson</li> <li>• <b>Mr Christopher Clark</b> Chief Executive Officer and Executive Director <i>(subject to shareholder approval at the EGM)</i></li> <li>• <b>Mr Chris Singleton</b> Independent Non-Executive Director</li> <li>• <b>Mr Stephen Gorenstein</b> Independent Non-Executive Director</li> <li>• <b>Mr Dan Arazi</b> Independent Non-Executive Director</li> </ul> <p>The experienced senior management team comprises:</p> <ul style="list-style-type: none"> <li>• <b>B Gen (ret.) Eden Attias</b> Executive Chairperson</li> <li>• <b>Mr Christopher Clark</b> Chief Executive Officer and Executive Director</li> <li>• <b>Mr Moshe Hukaylo</b> Chief Financial Officer</li> <li>• <b>Mr Boaz Shetzer</b> General Manager</li> <li>• <b>Mr Amir Tsaliah</b> Chief Technology Adviser</li> </ul> <p>See Sections 11.1 &amp; 11.2 for further details regarding the background and experience of the Directors and senior management team together with details of their remuneration.</p>	Sections 11.1 & 11.2
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<sup>1</sup> Delta Drone SA has expressed an intention to invest up to \$500,000 into the Offer.

ITEM	SUMMARY	FURTHER INFO
<b>What are the significant interests of Directors in the Company?</b>	Each Director's interest in the Company is set out at Section 11.3.2.	Section 11.3.2

## F. FINANCIAL INFORMATION

### What is the Company's pro-forma historical financial performance?

	Half year ended 30 June 2020	Half year ended 30 June 2019	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	A\$	A\$	A\$	A\$
Revenue and other income	2,197,060	2,811,206	5,938,820	3,752,509
Cost of sales	(912,259)	(1,731,966)	(3,410,021)	(1,979,574)
Credit from suppliers	132,857	-	-	-
<b>Gross profit</b>	<b>1,417,658</b>	<b>1,079,240</b>	<b>2,528,799</b>	<b>1,772,935</b>
Gross profit %	65%	38%	43%	47%

Section 8.3

The Merged Group had revenue of approximately US\$4.13 million (A\$5.94m) in CY19 on a pro forma basis. The audited pro-forma historical financial information for the Company is set out in Section 8.3.

### What is the financial outlook for the Company?

Although DDSA is already generating revenues from its current businesses, the Directors believe that revenue forecasts for the Company are uncertain in light of numerous factors that are outside of its control, including the fact that the Company operates in new markets and the impact of COVID-19. Given these factors and having regard to ASIC Regulatory Guide 170, the Directors believe that they do not have a reasonable basis to provide potential investors with reliable revenue, profit or cash flow projections or forecasts – other than to state that the Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

Section 8

## G. OFFER

### What is the Offer?

The Offer is an offer of up to 125,000,000 Shares at an Offer Price of \$0.04 per Share to raise up to \$5,000,000.

Section 13.1

### Who is the lead manager to the Offer?

Baker Young is the lead manager to the Offer.

Section 14.8.11

ITEM	SUMMARY	FURTHER INFO																																																																		
<b>What will the Company's capital structure look like after completion of the Offer?</b>	<p>On completion of the Offer, the capital structure of the Company will be as set out below:</p> <p><b>Completion Capital Structure (\$5m Raised)</b></p> <table border="1"> <thead> <tr> <th>Capital structure</th> <th>No. of securities</th> <th>% of fully diluted capital</th> </tr> </thead> <tbody> <tr> <td>Existing Ordinary Shares</td> <td>139,082,099</td> <td>23.4%</td> </tr> <tr> <td>Ordinary Shares for Acquisition Consideration</td> <td>203,512,750</td> <td>34.3%</td> </tr> <tr> <td>Proposed Capital Raising Shares</td> <td>125,000,000</td> <td>21.0%</td> </tr> <tr> <td>Ordinary Shares to be issued upon conversion of Convertible Notes</td> <td>27,205,882</td> <td>4.6%</td> </tr> <tr> <td>CIH Broker Shares*</td> <td>6,000,000</td> <td>1.0%</td> </tr> <tr> <td><b>Total ordinary share capital</b></td> <td><b>500,800,731</b></td> <td><b>84.3%</b></td> </tr> <tr> <td>Options</td> <td>15,026,696</td> <td>2.5%</td> </tr> <tr> <td>Delta Drone Performance Shares</td> <td>45,000,000</td> <td>7.6%</td> </tr> <tr> <td>Future ESOP (unallocated)</td> <td>33,000,000</td> <td>5.6%</td> </tr> <tr> <td><b>Fully diluted capital</b></td> <td><b>593,827,427</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table> <p><b>Completion Capital Structure (\$3.5m Raised)</b></p> <table border="1"> <thead> <tr> <th>Capital structure</th> <th>No. of securities</th> <th>% of fully diluted capital</th> </tr> </thead> <tbody> <tr> <td>Existing Ordinary Shares</td> <td>139,082,099</td> <td>25.0%</td> </tr> <tr> <td>Ordinary Shares for Acquisition Consideration</td> <td>203,512,750</td> <td>36.6%</td> </tr> <tr> <td>Proposed Capital Raising Shares</td> <td>87,500,000</td> <td>15.7%</td> </tr> <tr> <td>Ordinary Shares to be issued upon conversion of Convertible Notes</td> <td>27,205,882</td> <td>4.9%</td> </tr> <tr> <td>CIH Broker Shares*</td> <td>6,000,000</td> <td>1.1%</td> </tr> <tr> <td><b>Total ordinary share capital</b></td> <td><b>463,300,731</b></td> <td><b>83.3%</b></td> </tr> <tr> <td>Options</td> <td>15,026,696</td> <td>2.7%</td> </tr> <tr> <td>Delta Drone Performance Shares</td> <td>45,000,000</td> <td>8.1%</td> </tr> <tr> <td>Future ESOP (unallocated)</td> <td>33,000,000</td> <td>5.9%</td> </tr> <tr> <td><b>Fully diluted capital</b></td> <td><b>556,327,427</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table> <p><small>* The Company has agreed to issue CIH 6,000,000 Shares upon re-listing in consideration for CIH having introduced the Company and DDSA to one another which was resulted in the Proposed Transaction.</small></p>	Capital structure	No. of securities	% of fully diluted capital	Existing Ordinary Shares	139,082,099	23.4%	Ordinary Shares for Acquisition Consideration	203,512,750	34.3%	Proposed Capital Raising Shares	125,000,000	21.0%	Ordinary Shares to be issued upon conversion of Convertible Notes	27,205,882	4.6%	CIH Broker Shares*	6,000,000	1.0%	<b>Total ordinary share capital</b>	<b>500,800,731</b>	<b>84.3%</b>	Options	15,026,696	2.5%	Delta Drone Performance Shares	45,000,000	7.6%	Future ESOP (unallocated)	33,000,000	5.6%	<b>Fully diluted capital</b>	<b>593,827,427</b>	<b>100.0%</b>	Capital structure	No. of securities	% of fully diluted capital	Existing Ordinary Shares	139,082,099	25.0%	Ordinary Shares for Acquisition Consideration	203,512,750	36.6%	Proposed Capital Raising Shares	87,500,000	15.7%	Ordinary Shares to be issued upon conversion of Convertible Notes	27,205,882	4.9%	CIH Broker Shares*	6,000,000	1.1%	<b>Total ordinary share capital</b>	<b>463,300,731</b>	<b>83.3%</b>	Options	15,026,696	2.7%	Delta Drone Performance Shares	45,000,000	8.1%	Future ESOP (unallocated)	33,000,000	5.9%	<b>Fully diluted capital</b>	<b>556,327,427</b>	<b>100.0%</b>	Section 13.1.4
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<b>What are the terms of the Shares offered under this Prospectus?</b>	A summary of the material rights and liabilities attaching to the Shares offered under this Prospectus is set out in Section 13.1.6.	Section 13.1.6																																																																		
<b>Will any securities be subject to escrow?</b>	Yes, details are provided in Section 14.13.	Section 14.13																																																																		
<b>Will the Shares be quoted?</b>	<p>The Company will apply within seven days of the date of this Prospectus to ASX for re-admission to the Official List and quotation of Shares on ASX.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company is required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.</p>	Section 13.1.6																																																																		
<b>What are the key dates of the Offer?</b>	The key dates of the Offer are set out in the indicative timetable in Section 3 of this Prospectus.	Section 3																																																																		



ITEM	SUMMARY	FURTHER INFO
<b>What is the minimum investment size under the Offer?</b>	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (50,000 Shares) and thereafter, in multiples of \$500 worth of Shares (12,500 Shares).	Section 13.1.3
<b>Are there any conditions to the Offer?</b>	Yes, the Offer is conditional on the Company raising a Minimum Subscription amount of \$3.5 million and the ASX approving the Company's application for re-admission to the Official List and quotation of Shares on ASX.	Section 13.1.6

## H. USE OF FUNDS

**How will the proceeds of the Offer be used?** The Company intends to use the proceeds of the Offer as follows: Section 13.1.2

Uses	Estimated spend	
	(A\$m)	%
Costs to establish an Australian Head Office	\$0.57m	12%
Expenditure on Australian sales and marketing activities	\$0.86m	17%
Costs associated with expansion of South African operations	\$0.41m	8%
R&D expenses	\$1.81m	36%
Working capital	\$0.60m	12%
Transaction fees and expenses	\$0.75m	15%
<b>Total</b>	<b>\$5.00m</b>	<b>100%</b>

**Will the Company be adequately funded after completion of the Offer?** The Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus. Section 8.5

## I. ADDITIONAL INFORMATION

**Is there any brokerage, commission or duty payable by applicants?** No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. Section 13.1.6

**What are the tax implications of investing in securities?** The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. Section 13.1.6

Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

**Where can I find more information?** If you would like more information or have any questions relating to the Offer, you can contact the ParaZero Offer Information Line on +61 8 8236 8888. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser. Section 1.25



THE COMBINATION OF DDSA'S **OPERATING KNOW-HOW**  
AND THE **TECHNOLOGY** DEVELOPED BY PARAZERO ISRAEL IS  
EXPECTED TO PROVIDE THE MERGED GROUP WITH A  
**COMPETITIVE ADVANTAGE**

## 5 COMPANY OVERVIEW

### 5.1 Merged group

As part of the Proposed Transaction, DDSA and the Company propose to merge, following which the Company will be renamed Delta Drone International Limited (subject to shareholder approval at the EGM).

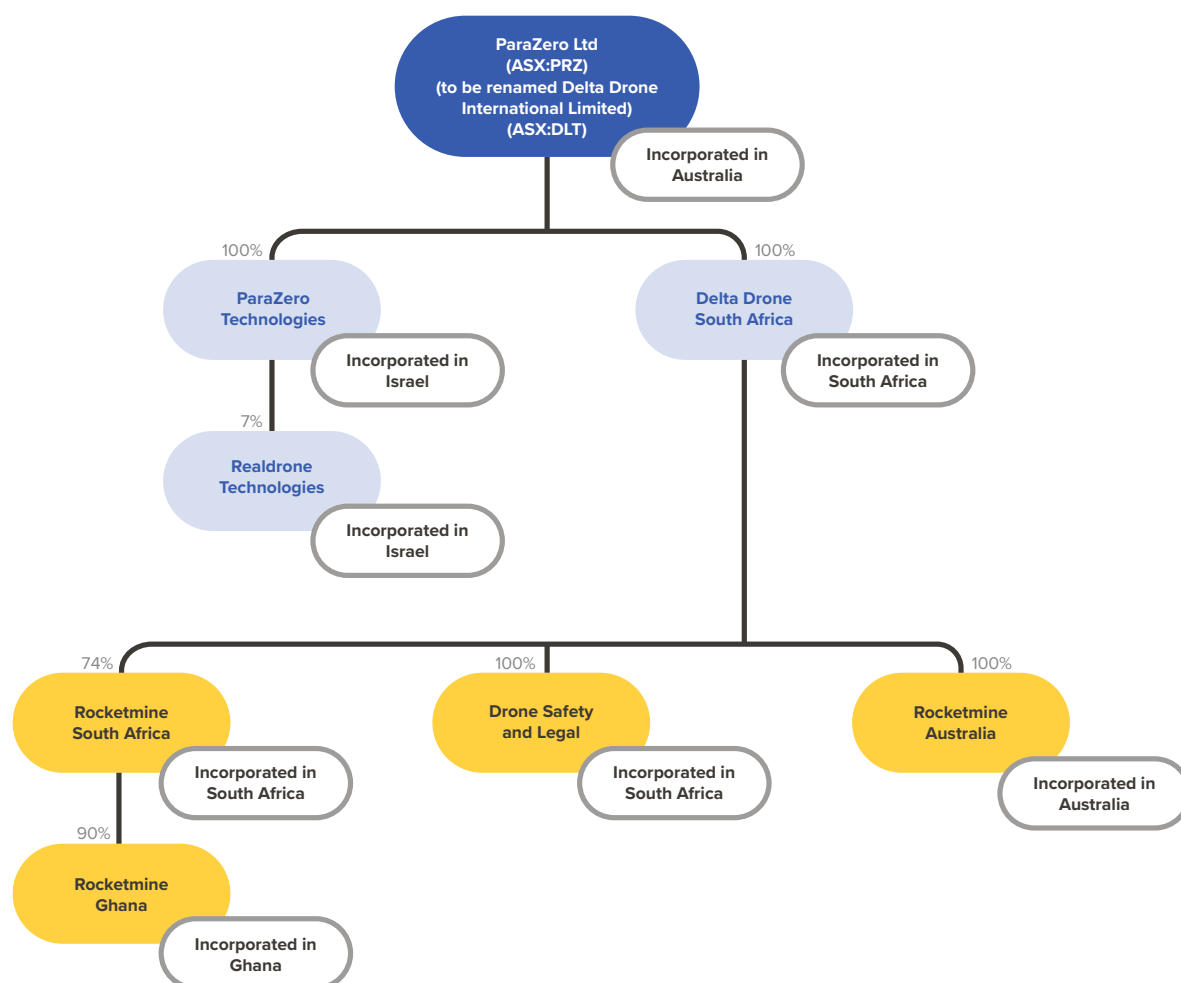
The combination of DDSA's operating knowhow and the technology developed by ParaZero Israel is expected to provide the Merged Group with a competitive advantage from an operational, safety and regulatory perspective over its existing competitors.

The Company intends to leverage DDSA's existing relationships from Africa into the mining and agriculture sectors in both the African and Australian markets to target new operations with these customers, as well as launching a local marketing team in Australia to target new opportunities.

The Company expects to launch an Australian operation in early 2021, initially to target local mining and agricultural businesses, before expanding to a more comprehensive service offering into industries that require drone services in urban or populated areas – where the Directors believe ParaZero Israel's technology will provide the Merged Group with a competitive advantage.

The Proposed Transaction will strengthen the short and long-term prospects of the Company. With combined pro-forma revenue in CY19 of approximately US\$4.2 million (A\$5.94 million), the Company expects that it will be able to grow significantly as industries open up post COVID-19, and as the market becomes increasingly aware of the Company's ability to offer drone services in instances where regulation has to date made flying a drone an unviable option.

The Offer is expected to significantly bolster the Company's balance sheet and allow it to build the marketing team and operational infrastructure to go out and win new business in Southern Africa and Australia, as mining, agricultural and other industrial sectors discover the significant benefits of using drones as part of their operations.





## 5.2 Delta Drone South Africa overview

Rocketmine South Africa (Pty) Ltd (**'Rocketmine South Africa'**) was originally founded in August 2016 and the Group has since formed additional subsidiaries to accommodate new ventures across Southern Africa. These companies include Rocketmine Ghana as well as Drone Safety and Legal. In 2016, Rocketmine South Africa was acquired by Delta Drone SA – a French drone technology company. At that time, Delta Drone South Africa (**'DDSA'**) was formed as a holding company for Rocketmine South Africa and its relevant subsidiaries.

Rocketmine South Africa was one of the original pioneers in the commercial drone industry in South Africa, obtaining the first South African Civil Aviation Authority (**'SACAA'**) Operating Certificate for the mining industry.

Today, DDSA and its subsidiaries provide drone aviation services to the mining and agricultural sectors as well as training solutions to corporate and academic institutions. DDSA is currently supported by 38 full-time employees situated across South Africa, Namibia and Ghana. DDSA's clients are predominantly listed companies.

As at the date of this Prospectus, DDSA's management estimate that its businesses hold a market share of approximately 10% in the combined commercial drone survey and mapping services market in South Africa. These businesses continue to service their clients and defend their position of authority in the market. Through the COVID-19 pandemic, DDSA has shown resilience due to its long-term contracts and the essential nature of its solutions for the operational mining environment.

DDSA continues to execute its growth strategy by expanding into new markets, providing new services within the agricultural sectors and developing new products for adjacent industries. Geographical expansion to date has included winning contracts in a number of new territories, namely in Ghana and Namibia. Service expansion and innovation to date has included developing and successfully taking to market solutions for the agricultural market (**'RocketFarm'**) and drone aviation learning and development (**'DSL'**) industry.

A timeline of significant milestones for DDSA includes:

- **October 2015**  
First South African Operator with an ROC to fly mines commercially.
- **November 2016**  
Acquired Anglo American as a client in South Africa.
- **February 2017**  
Delta Drone France acquisition of Rocketmine.
- **April - December 2017**  
New long-term customer contracts for Newmont (Ghana) and South32 (South Africa).
- **August 2018**  
New contracts Exxaro Resources (South Africa), as well as expansion into Namibia with Rio Tinto (Rossing Uranium).
- **January 2019**  
Launch of Precision Agriculture brand (**'Rocketfarm'**) acquiring Pioneer, Bayer, Syngenta and other established global brand projects in less than the 12 following months.
- **March 2019**  
Drone Safety & Legal (**'DSL'**) subsidiary obtains Civil Aviation Authority approval as an Authorised Training Organisation (**'ATO'**) to conduct Drone Pilot Training & Beyond Visual Line of Site (**'BVLOS'**) endorsements.
- **May 2020**  
Rocketmine Australia incorporated with initial CASA REOC granted July 2020.

### 5.3 ParaZero Israel overview

ParaZero Israel was established in 2013 in order to commercialise autonomous drone safety systems for unmanned aircraft systems ('UAS'). ParaZero Israel's patented technology has created a drone safety system with commercial aviation levels of reliability, enabling the ability to safely operate UAS platforms in both urban environments and Beyond Visual Line of Sight ('BVLOS') environments).

ParaZero Israel has focused heavily on research and development and is considered a market leader in autonomous drone safety systems and regulatory compliance, playing a key role in advancing the commercial drone industry and unlocking its significant potential through waivers and approvals from regulators to deliver expanded operations in complex environments.



#### HIGHLIGHTS

- Global leaders in drone safety
- Holistic solution for high-growth market
- Extensive sales and distribution network
- Active regulatory involvement
- Existing customer base and continuous growth
- Led by veterans and industry professionals

ParaZero Israel's unique, patented technology for drones, the 'SafeAir' system, is designed to protect hardware, people and payload. The SafeAir system is a smart parachute system that monitors UAS flight in real time, identifies critical failures, and autonomously triggers a parachute in the event of an emergency. The system contains a flight termination system, a black box to enable post-deployment analysis, and warning buzzer to alert people below of a falling drone. In addition to being fully autonomous, the SafeAir system includes a separate remote control for manual parachute deployment capability.

The Company has a global distribution footprint and sells its drone safety systems as off-the-shelf solutions, as well as on a project-by-project basis, offering customized bespoke safety solutions for a large variety of aerial platforms, including multi-rotor fixed wing, heavy lift and urban air mobility, as well as selling into original equipment manufacturers ('OEMs') of drone systems.

#### SAFEAIR SOLUTIONS PORTFOLIO



ParaZero Israel's customers include OEMs in the United States, Israel, Japan, Spain, South Korea, France, Brazil, New Zealand, China and the Netherlands.

ParaZero Israel assists its commercial clients to enable their drone operators to gain the necessary exemptions and waivers from respective international civil aviation authorities, to allow drones to be flown for commercial purposes in urban or populated areas, in circumstances where drones would otherwise not be allowed to fly.

The Company believes that ParaZero Israel's potential to enable regular commercial drone operations in urban and populated areas will facilitate new business opportunities and create long-term competitive advantage for the Merged Group.

The Company's revenue to date has been derived from the sale of its drone safety systems, as well as its accompanying software, ongoing aftermarket support and maintenance fees. In CY19, the Company doubled its revenue compared to CY18 and extended its offering of products and services. In a post COVID-19 context, the Company expects that the demand for drones and drone services will increase rapidly particularly in the mining, logistics, oil and gas, agriculture, civil services, construction, and health sectors.

A timeline of significant milestones for ParaZero includes:

- **June 2018**  
Officially selected as safety provider for multiple UAS Integration Pilot Program ('UASIPP') teams.
- **August 2018**  
Participated in successful testing and validation phase by North Dakota Department of Transportation.
- **September 2018**  
New international standard for UAS parachutes, ASTM F3322-18, published by ASTM.
- **October 2018**  
Recipient of the first FAA waiver granted for UAS flight over people with parachute system.
- **December 2018**  
Former USA FAA administrator joins advisory board.
- **March 2019**  
ParaZero Israel's SafeAir system achieves compliance with new ASTM standard.
- **June 2019**  
FAA grants ground-breaking approval to fly over people to an operator that utilises ParaZero Israel's SafeAir system.  
  
ParaZero Israel launches ASTM-compliant SafeAir Mavic following compliance testing and validation by Northern Plains UAS Test Site.  
  
First FAA flight over people approval granted to an operator that utilises ParaZero Israel's SafeAir Mavic.
- **July 2019**  
Recipient of 5 FAA Waivers in 5 Weeks - ParaZero Gains Momentum.
- **August 2019**  
ParaZero Israel's SafeAir system unlocks flight over people in Canada.
- **July 2020**  
ParaZero Israel achieves a milestone of 100 FAA waivers in North American drone market.
- **September 2020**  
Regulators approved Brazil's first drone delivery operation to an operator that utilises ParaZero Israel's SafeAir system.



## 5.4 Overview of merged operations

The vision of the Merged Group is to build a globally-oriented services and technology business based in Australia. The Merged Group proposes to provide drone services to key mining and agricultural markets in Southern Africa and Australia before expanding into other commercial and industrial sectors, in these and other international markets.

The Company will offer specific industry specialisations via a number of strategically adjacent and complementary brands, enabling it to provide customers with a full-service offering:

- **Rocketmine**  
Offers Drones-as-a-Service to the mining industry in Australia, South Africa, Namibia and Ghana, including surveying and mapping. Planned expansion into Australia.
- **Rocketfarm**  
Offers Drones-as-a-Service to the agriculture industry in South Africa, including precision agriculture services and AI. Planned expansion into Australia.
- **ParaZero Israel**  
Offers proprietary drone safety systems, safety hardware and consulting services globally, with projects delivered in the USA, Israel and South Korea. A market leader in drone safety technology facilitating drone aviation globally in populated or urban environments.
- **Drone Safety & Legal**  
Offers drone pilot training and accreditation in South Africa, including operation of a dedicated testing and research centre.

By operating individual brands aligned with specific industry specialisations, the Company is able to define specific drone service operating practices for individual industries, while also sharing best-practice operating approaches, technology and know-how between verticals.



While the Company intends to continue to operate and expand its rural Drones-as-a-Service operations in mining and agriculture, it is committed to leveraging ParaZero Israel's drone safety technology to enable the provision of large-scale Drones-as-a-Service ('**Daas**') operations in urban and populated environments.

Current regulatory frameworks make flying drones in urban or populated areas a resource intensive process due to extensive licensing requirements. Aviation Authorities and Regulatory bodies charge fees for licensing and waivers, which require comprehensive plans for safety compliance. ParaZero Israel's proprietary drone safety technology enables simpler, faster and cheaper commercial drone operations in urban environments, and the team has significant experience working with regulators to win waivers enabling operations in these environments.

The Company expects that over the mid to long term, commercial drone operations in urban environments will significantly increase in scale driven in particular by logistics services. The business intends to use its technology and safety expertise to lead the enablement of these operations.

The Company will have the comprehensive capabilities to offer commercial drone services into all environments, including Rural, Urban and Populated areas as well as in difficult operating conditions such as those with Beyond Visual Line of Site ('**BVLOS**') and Night-Rating Operating Standards. These are currently being deployed across DDSA's South African and Ghanaian operations and are proposed to be introduced in Australia and other international markets in due course.

The Merged Group expects to build its diverse customer base through the development of a range of additional enterprise software solutions. This is expected to include providing customers with access to high-resolution drone-captured data through a consolidated viewing platform.

Rocketmine has demonstrated a capability to sense and successfully break into new geographies with multiple service suites while maintaining notable profit margin ratios. ParaZero Israel has demonstrated its ability to research and develop drone technology products, which is expected to deepen and compliment the Rocketmine suite of services and current and future target markets.

The Directors believe that the Merged Group contains the ingredients for a global aerial data leader with deep levels of differentiation, innovation, market knowledge and strong competitive advantages.

RocketFarm	Rocketmine	ParaZero	Drone Safety & Legal	Potential new verticals
<ul style="list-style-type: none"> <li>• Drone-as-a-Service</li> </ul>	<ul style="list-style-type: none"> <li>• Drone-as-a-Service</li> </ul>	<ul style="list-style-type: none"> <li>• Drone safety consulting services and hardware</li> </ul>	<ul style="list-style-type: none"> <li>• Drone pilot training and accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• Oil and gas</li> </ul>
<ul style="list-style-type: none"> <li>• Precision agriculture and AI focus</li> </ul>	<ul style="list-style-type: none"> <li>• Mining industry focus</li> </ul>	<ul style="list-style-type: none"> <li>• Leading FAA Flight-Over-Persons and BVLOS Waiver OEM Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Testing and research centre</li> </ul>	<ul style="list-style-type: none"> <li>• Security</li> </ul>
<ul style="list-style-type: none"> <li>• Projects in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Specialised in survey and mapping services</li> </ul>	<ul style="list-style-type: none"> <li>• Projects delivered in USA, Israel and South Korea</li> </ul>	<ul style="list-style-type: none"> <li>• Operations in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection</li> </ul>
	<ul style="list-style-type: none"> <li>• Operations in South Africa, Namibia and Ghana</li> </ul>			
Drone Training School				
ParaZero Enabling Technology				

## 5.5 Business model

The Company intends to continue to provide rural commercial drone services via a DaaS model, in addition to developing urban DaaS operations supported by ParaZero Israel technology. The Company also intends to continue retailing ParaZero Israel's safety systems globally in addition to providing its Drone Aviation Training Services offering.

The Merged Group's businesses have been generating increasing revenue across all segments with revenue of A\$5.94m in CY19 on a pro-forma basis. Section 8.3 provides a summary of the Company's and the Pro Forma Merged Group's historical financial performance. A detailed explanation of the business models for each division is included below.

### 5.5.1 Rocketmine and Rocketfarm

Whilst DDSA's Rocketmine and Rocketfarm businesses serve different markets, they have many commonalities in their value proposition, revenue models and operational delivery mechanisms. These businesses will continue to be branded separately, but operationally can be collectively considered as Drone Data Services providers. Drone Data Services means the provision of ongoing or one-off contracted drone services which entail the collection, processing and possible analysis of data gathered from unmanned operations.

Key to DDSA's Drone Data Service success is the focus on meeting and exceeding key points of service differentiation in speed, accuracy and safety. DDSA aims to achieve this through:

- Robust pool of licenced, certified, and accredited drone pilots on-demand.
- Contracted Continuity of Flight Time.
- Contracted Industry Best Data Quality and Range of Compatibility.
- Contracted Industry Best Data Turnaround.
- Contracted Drone Solution Compliance Management.
- Best of breed drone hardware.
- Best of breed drone software.
- Clients choice of full-service suite or modular configuration.

Both Rocketmine and Rocketfarm provide a range of ongoing or one-off contracted services to their customers in their respective industry verticals. These contracted services are individually nuanced to their specific industry. For example, time horizons for Rocketfarm contracts are shorter and aligned to agricultural seasons.

Drone Data Service businesses charge clients based on the work and expertise required, typically considering costs with appropriate profit margins relative to the services provided:

- **Product**  
The hardware mix required per solution, including but not limited to the aircraft, cameras, base stations, weather stations, data storage and processing hardware.
- **People**  
The pilots, co-pilot support, data capturing and client services manager and their appropriate expertise and experience in the provision of services.
- **Process**  
The full circle management of the drone data service, including data processing and delivery, compliance, training, solution continuity, ticket support team.

The key services offered by the Rocketmine and Rocketfarm businesses include:

Rocketmine	Rocketfarm	
Survey and mapping	Plant population	Plant disease analysis
Blast and thermal monitoring	Weed analysis	Nitrogen status in crops
Highwall mapping and monitoring	Flowering estimation	Canopy analysis
3D reality capture	Water-logging analysis	Plant stress analysis
Underground survey mapping	Yield estimation (maize)	Pest and drought analysis

In addition to these established services, each Drone Data Services business has developed significant innovations gearing it for future fitness:

### Rocketmine

- **Expanded analytics**  
In addition to capturing data, Rocketmine provides further analytics from the data such as Thermal survey reports and signed off volume reports where required.
- **Smart mine**  
The ability to offer clients a new 'smart mine' environment, which is created once data is captured, processed calculated and hosted in a cloud-based visualisation platform, providing the client with a near real time view into their operations from anywhere in the world.
- **Progressive visualisation**  
The provision of 4-D project progress visualisation, whereby snapshots in the construction process are modelled and recorded to compare the planned construction design with reality.
- **Digital twin**  
Providing a full-fledged digital twin of any asset, including static, SCADA, and IOT data, leveraging off a platform that can also provide predictive analysis of the plant or asset.

### Rocketfarm

- **Enhanced crop analysis**  
Rocketfarm is developing and testing crop analysis software with inbuilt alerts (site monitoring and weather station) in addition to other agriculture specific technologies

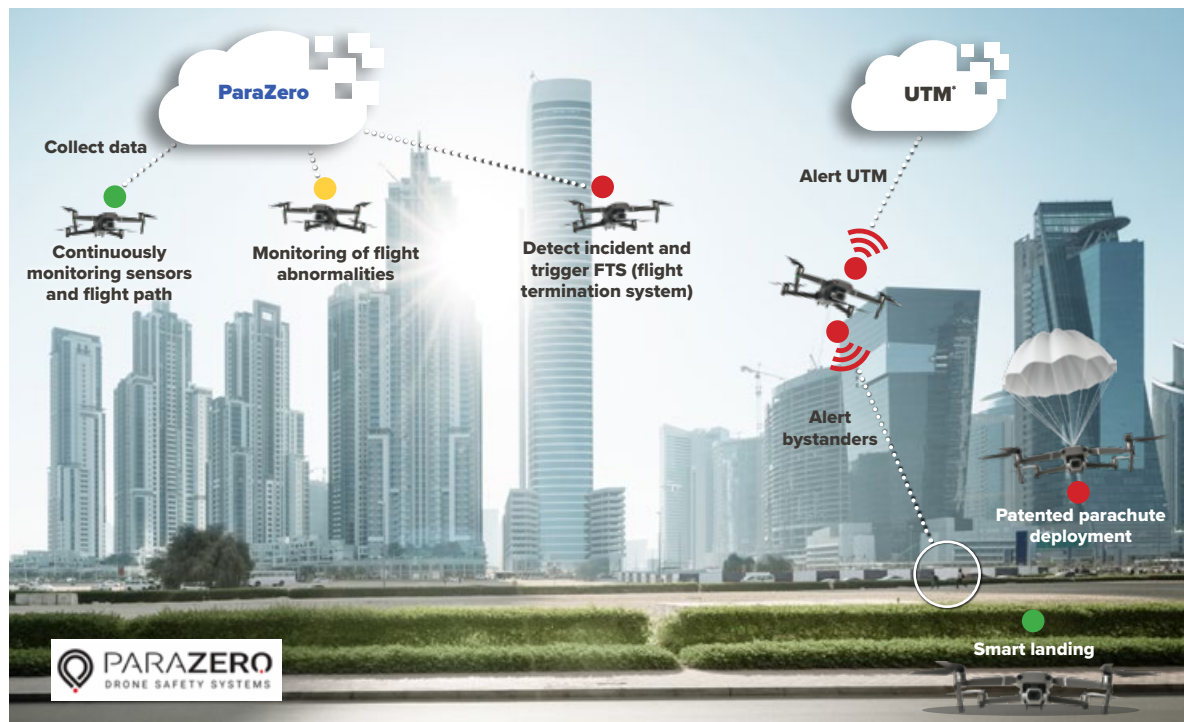
These innovations are expected to continue both brands' upward trajectory in established markets in Southern Africa and in Australia in due course.

### 5.5.2 ParaZero Israel

ParaZero Israel's drone safety system, SafeAir, is designed to protect hardware, people and payload. The system independently monitors drone flight operations and can detect a drone failure in-flight. This triggers a patented ballistic parachute to provide a controlled descent and a warning to bystanders through an alarm system. The SmartAir system also records flight data for statistical analysis and black box reporting, which is a requirement for international aviation reliability standards.

### ParaZero SafeAir™ System Operation

SAFEAIR: END TO END SOLUTION



\*UTM - Unmanned Aircraft System (UAS) Traffic Management System being developed by NASA/FAA



More detail on ParaZero Israel's intellectual property and registered patents is set out in Section 9.

ParaZero Israel currently sells its drone safety systems to customers on a project-by-project basis and as a finished product to developers and original equipment manufacturers ('**OEM**') of drone safety systems through numerous channels:

- **Direct sales to OEMs**  
ParaZero Israel currently offers OEM integration from the early design stage. To date, over 1,400 systems have been sold direct to the OEM as a fully integrated unit. An aftermarket e-commerce platform was recently launched to support aftermarket sales.
- **Direct sales to aftermarket**  
Sale of the SafeAir systems are actively marketed through sales channels such as distributors and retailers.
- **ParaZero's e-commerce platform**  
SafeAir systems can be purchased on the Company's website.

In a post COVID-19 context, the Company expects that the demand for drones and drone services will increase rapidly particularly in the mining, logistics, oil and gas, agriculture, civil services and health sectors.

The Company plans to continue developing ParaZero Israel's technology and leveraging it to enable urban operations for its DaaS offering, which the Company views as a significant commercial advantage. In addition, the Company will consider longer-term potential for wide-reaching licencing opportunities for ParaZero Israel technology in the future.

In addition to the above, the Company has identified the following potential revenue streams that are capable of being monetised as the sales revenues continue to grow.

- **Software-as-a-Service ('SaaS')**  
The SafeAir software package has the potential to generate recurring monthly revenue from a pay-per-use model.
- **Data monetisation**  
Many options exist for the monetisation of the data that is collected from the system. The exact model may vary based on the type of data and customer.
- **Consulting fees**  
Either hourly fees or project based. The Company will be able to offer consulting services to customers that are applying for waivers or developing their safety strategy.

As the business continues to grow, the Company may identify additional revenue streams to more fully utilise and exploit ParaZero Israel's technology and opportunities in what remains a reasonably early stage and growing market.

### 5.5.3 Drone Aviation Training Services

Rocketmine initially created an expansive in-house induction & training programme to enable the on-going learning and development of the team contracted to fulfill its drone data services, particularly for in-field operators. At that time, DDSA formed the view that the internal value-add from this operation, combined with a clear external market gap, presented an opportunity to spin the service out as a stand-alone revenue centre and strategically develop new networks and opportunities. This led to the creation of the Company's DSL ('**Drone Safety & Legal**') Division, which is to be renamed Drone Aviation Training Services ('**DATS**') in the Merged Group.

DATS offers drone training services for enterprise, bringing technology and training together in real world applications. It extends beyond conventional training and aims to develop awareness of drone technology in existing and future industries and showcases how drone data simplifies solutions, reduces cost impact and propels productivity.

DATS has opened up additional opportunities and projects for Rocketmine and Rocketfarm, developing trust in drone solutions and further reinforcing the Delta Drone Group as the pre-eminent full-service drone market leader in its geographic markets. In addition, DATS demonstrates the organisational ethos of community and skills development, market growth and entrepreneurship at the heart of DDSA's collaborative DNA.

DATS is preferentially differentiated from other drone training providers through its established partnership with the Enterprises Division of the University of Pretoria, offering highly specialised RPL Courses covering drone use in major industries, including mining, agriculture and engineering. These courses include a detailed focus on the application of drone technology in these sectors, as well as a SACAA issued RPL license.

DATS is the only Aviation Training Organisation ('**ATO**') to currently offer this tailored training package and the only ATO with a university partnership in South Africa.

## 5.6 Barriers to competition

The Company is expected to maintain a number of key barriers to competition, stemming from its deep levels of differentiation, innovation, market knowledge and strong competitive advantages:

- **Highly Scalable, Systematised Business Model**  
Each member of the Merged Group has continued to develop and systematise its business model, enabling it to efficiently induct, train, monitor and renew the abilities of on-site pilots to ensure the high service standards expected by customers are met. The Company's key operating capability, systems and methods are organised and can be deployed globally.
- **Speed of Deployment and Capability Readiness**  
Each member of the Merged Group has developed its capability model to enable it to move quickly from a purchase order or contract to project delivery, increasing its customer competitiveness relative to its peers.
- **SafeAir Technology**  
The Company's technology and ongoing R&D is expected to provide an enduring competitive edge in the provision of cost-effective commercial drone services in urban environments. The Company expects continuing innovation and benefits to flow from operational geographies to research teams resulting in new and innovative solutions for the Company's customers. The Directors believe these are significant benefits that will make it increasingly challenging for local competitors in each operational jurisdiction.
- **Extensive Industry Experience**  
Rocketmine South Africa has over 6 years of experience in defining standard operating procedures for high compliance mining sites, working effectively with customers in the most efficient manner.
- **Cross Service Synergies**  
By operating individual brands aligned with specific industry specialisations, the Directors believe that the Merged Group will be able to translate operating innovations and best-practice approaches, technology and know-how between verticals.
- **Economies of Scale**  
DDSA has achieved increasing success by unlocking economies of scale and as growth continues, further value creation is expected to be unlocked through growth in Australia and new territories.
- **Geographical Reach**  
An extended geographical reach is expected to enable additional organic sales as the Company can be a preferred partner to multinational and global clients.
- **History of Drone Operations Innovation**  
Proven versatility in continually developing and successfully implementing projects driven by the client scope.

In addition, an increased global reach and presence will only add to the credibility and positioning of each of the Company's brands and the overall platform as a premium international drone data services provider capable of servicing large clients across multiple geographies.



## 5.7 Group operations

The Merged Group maintains operations across Southern Africa and Israel and also has a number of reseller agreements in place globally for the SafeAir technology.



## 5.8 Research and development

DDSA's service exposure in multiple territories provides ongoing market sensing for future product development as well as a channel to introduce and test new technologies. Drone Data Services will continue to evolve its product to meet expanding customer needs and requirements for commercial drone services. In addition, Drone Aviation Training Services will continue to develop education, training and educational product as required by its customers and the wider drone market.

ParaZero's SafeAir platform architecture is designed to have flexibility to support continued development and functionality enhancement of the SafeAir system. Developments are underway for next generation capabilities, such as enhanced communication capabilities backed by an advanced cloud infrastructure to allow for real-time and post flight analytics. In addition, new high-performance sensors and GPS shall unlock the potential for new and advanced capabilities, required by regulation to enable BVLOS and remote ID capabilities ('RID'), while expanding the ParaZero Israel ecosystem and product offering.

Shifting more focus to software-based solutions, such as the ParaZero Israel Safety SDK, shall allow for a licensed based software-only safety system to be incorporated by OEMs, bringing forth the unique safety algorithm knowledge acquired by ParaZero Israel over the years, while eliminating the costs of hardware production.

## 5.9 Manufacturing

ParaZero Israel currently outsources the manufacturing of key components and processes when appropriate, while it assembles the SafeAir systems and performs quality assurance in-house. ParaZero Israel believes that the crucial processes of assembly and quality assurance must remain in-house to validate safety and bring to market the best in class safety systems. The cross-functional team at ParaZero Israel is able to gain market insights, design, develop, test, and go to market in a streamlined and rapid manner.

ParaZero Israel currently uses high-end 3D printing solutions, carbon fibre, aluminium, composites, and advanced material technologies to ensure high quality, light weight products and stringent performance.



## 5.10 Proposed growth plan and rollout

The Company has a clear growth plan, taking its established Drones as a Service business model and expertise from the Southern African market to Australia, and expanding its services in both these markets, particularly by utilising ParaZero Israel's SafeAir technology to provide commercial drone services for populated and other urban environments. However, there are also a number of adjacent opportunities the Company will seek to pursue.

A detailed list of the Company's growth plans is included as follows:

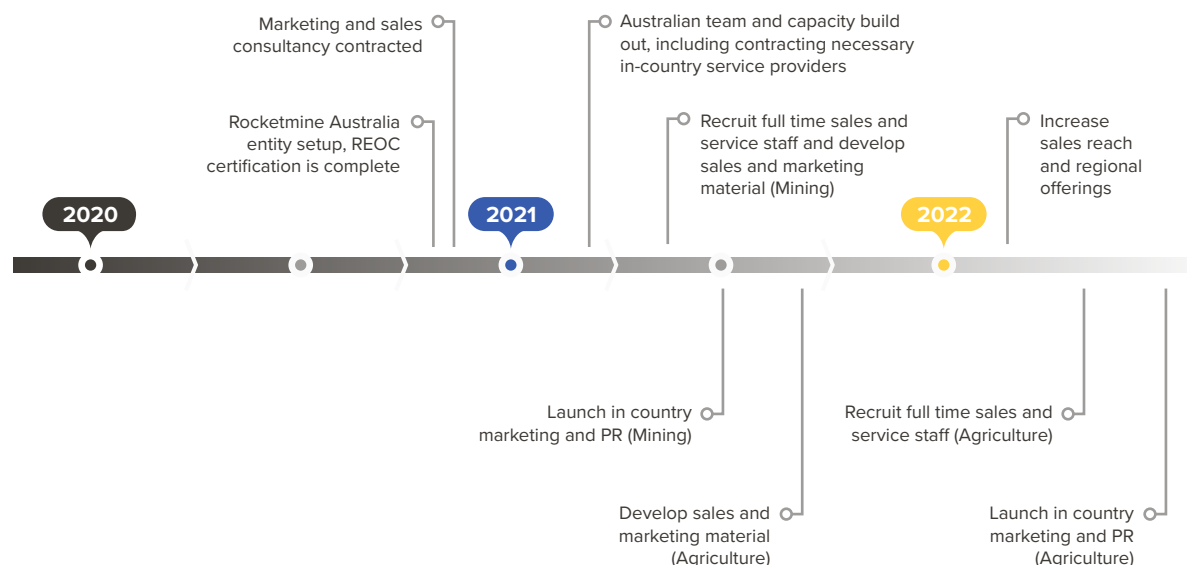
- a) Establish Drone Data Services into Australia – DDSA intends to expand its proven operating model, providing drone services to key mining and agricultural markets in Southern Africa, and utilise its existing customer relationships to expand its Drone Data Services to the Australian market.
- b) Continue to grow Drone Data Services in Southern Africa – DDSA intends to continue to grow and expand its Drone Data Service Operations in Southern Africa, by leveraging its existing expertise, relationships and market knowledge.
- c) Leverage ParaZero Israel technology to provide commercial Drone Data Services in urban environments across Australia and Southern Africa – ParaZero Israel's proprietary drone safety technology enables simpler, faster and cheaper commercial drone operations in populated and urban environments. DDSA intends to leverage this technology to expand its Drone Data Service operations into commercial and industrial sectors in these environments.
- d) Continue to licence ParaZero Israel technology – ParaZero Israel intends to licence its SafeAir technology both directly and through the Company's global network of resellers.
- e) Continue to grow and develop Drone Aviation Training Services and adjacent business opportunities – DDSA intends to continue to expand and grow its training business in addition to opportunistically developing additional drone related businesses.

### Australian Drone Data Services Expansion

In keeping with its steadfast focus and commitment to growth, a Rocketmine Australia subsidiary has been registered, its REOC certification is complete and its BVLOS endorsement is expected by late 2020. A full market launch into the territory is planned for early 2021, with the initial target sectors being the industries Rocketmine has already grown accustomed to, namely mining and agriculture. A full suite solution will be made available to the market, including a firm positioning towards convenience, compliance, and administrative support.

The CEO of DDSA, Mr. Christopher Clark, is relocating with his family to Australia and will personally develop, drive and deliver the growth of the business in this country. Initially, partnerships with industry specific marketing and sales agencies will be leveraged, followed by the hiring of permanent sales, marketing and operations teams as required.

An indicative timeline of key milestones for the planned Australian expansion is as follows:







THE COMPANY EXPECTS TO LAUNCH AN **AUSTRALIAN OPERATION** IN EARLY 2021, INITIALLY TO TARGET LOCAL **MINING** AND **AGRICULTURAL** BUSINESSES, BEFORE EXPANDING TO A MORE **COMPREHENSIVE SERVICE OFFERING** INTO INDUSTRIES THAT REQUIRE DRONE SERVICES IN **URBAN** OR POPULATED AREAS

## 6 INDUSTRY OVERVIEW

### 6.1 Commercial drone market overview

A drone is an unmanned aerial vehicle which is fully controlled from another place (ground, another aircraft, space) or programmed and fully autonomous. Drones have long seen widespread use in the military, providing surveillance, long-range attack and other enhanced military capabilities.

Developments in technology have enabled OEMs to shrink the size, weight and cost of batteries, decreasing the overall cost significantly and enabling drones to be viable for use in a wide range of commercial purposes.

Commercial or enterprise drones are normally more expensive and heavier than consumer products. They are typically designed to carry costly payloads such as high-end cameras or measurement instruments. These types of drones typically require pilot training and certification.

The commercial drone industry is relatively young, but growing rapidly. According to the United States Federal Aviation Administration's report entitled 'FAA Aerospace Forecast: Fiscal Years 2020 to 2040', the total US commercial UAV fleet grew significantly in CY19 to a total of 385,000 commercial UAVs. The FAA forecasts significant ongoing US fleet growth, with its base case 2024 forecast more than doubling the fleet to 828,000 (~17% CAGR).

The FAA states in this report that 'the commercial UAS sector is dynamic and appears to be at an inflexion point, demonstrating powerful stages of growth. Unlike the recreational UAS sector, the FAA anticipates that the growth rate in this sector will remain high'.

*Table 7.1.1 - FAA Unmanned Aircraft System (UAS), Commercial / Non-Model Aircraft Fleet*

Year	Low	Base	High
CY2019	385,000	385,000	385,000
CY2020	467,000	507,000	594,000
CY2021	535,000	633,000	830,000
CY2022	567,000	731,000	1,031,000
CY2023	586,000	786,000	1,136,000
CY2024	598,000	828,000	1,197,000

*Source: FAA Aerospace Forecast: Fiscal Years 2020 to 2040*

In summary, there is a large amount of data available that indicates that the usage of drones and unmanned aerial vehicles is most likely to increase in coming years, which provides a growing market for the Company's existing products and an opportunity to continue development of new products to meet the market demand.

### 6.2 Commercial drone services

The ongoing development of drone technology has enabled a wide range of use cases across numerous industries, with a high-level overview included below in tables 6.2.1 and 6.2.2.

While these use cases have led to strong demand for commercial drone services in rural areas, the Company believes that current regulatory frameworks make flying drones in urban or populated areas prohibitively expensive due to licensing requirements and safety concerns.

The Company believes it will be at a distinct competitive advantage due to ParaZero Israel's safety systems and technology, which will provide it with an ability to offer services into highly regulated parts of the market, as such regulations have historically been the key barrier to entry or to achieving operations of sufficient commercial scale.

*Table 6.2.1 - Drone Use Cases*

Use case	Example use cases
<b>Inspection</b>	Examination of a given reference object with the intent to find faults, errors, problems, malfunctions, or other specific phenomena that might affect the functioning of that object.
<b>Mapping</b>	Process of creating a diagrammatic representation (incl. 3D modelling) of a given area.
<b>Surveying</b>	Detailed inspection of a geo-referenced section of the earth's surface (incl. structures) with the purpose to study or measure altitudes, angles, distances, and structures flown over and record them.
<b>Photographing and Filming</b>	Aerial use of still cameras to capture images and the production of aerial videos for all entertainment or advertising purposes.
<b>Monitoring</b>	Close observation of given objects to check its progress or quality over a given period of time.
<b>Localization and Detection</b>	Seeking and supplying the geographical coordinates of activities, persons or life-stock, or the process of recognizing something as a certain person, phenomenon, or activity.
<b>Delivery</b>	Transportation of packages, food, pharmacies, or other goods either on demand or according to a given schedule.
<b>Dispensing and Spraying</b>	Aerial distribution of solids (e.g. fertiliser or seeds), or the process of spreading liquid substances (e.g. water, insecticide, or fertiliser)
<b>Other</b>	Other methods being deployed are advertising, broadcasting, entertainment, measuring and sampling, navigating, tracking and warehousing.

*Table 6.2.2 - Industry Applications for Drones*

Industry	Application
<b>Arts, Entertainment, and Recreation</b>	Aerial filming, advertisement production, swarm light shows, drone racing competition
<b>Agriculture</b>	Soil quality, crops health, optimizing fertilisation, forest health, weed growth, disease identification
<b>Construction</b>	Surveying of construction sites, topographic surveys, site management, building information modelling
<b>Educational Services</b>	Wildlife studies, air quality measurements, agriculture field experiments
<b>Energy (Utilities)</b>	Inspections of chimney, refineries, powerlines, transmission towers, pipelines, flare stacks, PV plants, boilers
<b>Health Care and Social Assistance</b>	Find missing people, disaster relief, blood delivery, defibrillator delivery
<b>Information</b>	Aerial cinematography, live broadcast, TV, news and movie production, transmission/cell tower inspection
<b>Insurance</b>	Damage assessment on rooftops or infrastructure, underwriting assessments
<b>Mining, Quarrying, and Oil &amp; Gas Extraction</b>	Volumetric surveys, gas detection, area mapping, water sampling, inspection of mines and offshore platforms
<b>Professional, Scientific, and Technical Services</b>	Probe collection, polar bear monitoring, archeological structures, thermal volcano mapping, counting seagulls
<b>Public Administration</b>	Maritime pollution, firefighting, vegetation & wildlife monitoring, analyzing floods, city mapping, land surveying
<b>Real Estate, Rental &amp; Leasing, and Industrial Plants</b>	As-built documentation, property mapping, roof inspection, thermal surveys, industrial building inspection
<b>Safety &amp; Security</b>	Search & rescue, border patrol, perimeter security, landmine detection, festival crowd monitoring
<b>Transportation and Warehousing</b>	Bridge/airport/road/railway inspection, corridor mapping, drone delivery, warehouse inventory



## 6.3 Target markets

DDSA is an established provider of commercial drone services in South Africa (including data and training services). As at the date of this Prospectus, DDSA's management estimate that its businesses hold a market share of approximately 10% in the combined commercial drone survey & mapping market in South Africa. As previously covered, DDSA plans to expand its operations to the Australian drone services market where it sees significant opportunity to leverage its existing operational expertise and ParaZero Israel's safety technology.

*Table 6.3.1 - Total Commercial Drone Services Turnover (USD)*

Country	2019	2020	YoY Growth
Australia	\$357,814,507	\$471,324,621	31.9%
South Africa	\$79,241,527	\$95,778,801	20.9%

*Source: Drone Industry Insights, Drone Market Study, September 2020*

*Table 7.3.2 - Commercial Drone Services Turnover by Use Case (USD)*

Country	Use Case	2019	2020
Australia	Inspection	\$81,857,407	\$107,838,369
	Mapping	\$60,210,200	\$78,854,135
	Surveying	\$49,839,910	\$65,392,797
	Other Uses	\$165,906,990	\$219,239,320
South Africa	Inspection	\$18,223,942	\$22,025,951
	Mapping	\$13,334,138	\$16,024,104
	Surveying	\$11,037,536	\$13,288,599
	Other Uses	\$36,645,911	\$44,440,147

*Source: Drone Industry Insights, Drone Market Study, September 2020*

## 6.4 Regulation

The use of commercial drones is heavily regulated, and each member of the Merged Group fully meets the requirements of each jurisdiction in which they operate.

As is often the case with regulation and developing technology, regulation around the operation and flight of unmanned aerial vehicles ('UAVs') around the world is lagging behind technological capabilities. However, as use and also incidents occur, many countries have developed strict regulations that prohibit the use of UAVs in urban or populated environments, except in specific scenarios.

In many countries, flight over people and beyond-line-of-sight are typically prohibited. These two operational requirements are critical for the commercial drone services industry to realise its full potential, as many of the commercial unmanned flight use-cases take place in urban environments and cannot be performed while these limitations are in place.

With a SORA-based approach to assessing the risk class of a proposed operation, the ground risk classification ('GRC') score is reduced through the use of a kinetic energy reducing technology (i.e. parachute recovery system), thereby enabling an expanded legal flight envelope from aviation regulators.

Details on ParaZero Israel's technology and expertise are included in section 5.5.2.

### 6.4.1 South African regulatory environment

DDSA's business model is dependent on receiving governmental licenses, permits and other regulatory approvals in order to continue to operate its services in Southern Africa. DDSA requires Civil Aviation Safety Authority ('CASA') approval and a remotely piloted aircraft operator certificate from the relevant regional authority to use its technology. Delta Drone Safety and Legal (Pty) Ltd has been granted training approval from CASA in South Africa. DDSA holds all other relevant CASA approvals and operating certificates in South Africa, Ghana and Namibia.

DDSA also holds the following additional licenses and other regulatory approvals in relation to its business operations:

- Department of Transport Air Services Licence (South Africa);
- Minerals Commission License (Ghana); and
- Namibia Civil Aviation Authority Flight Operating Exemption (Namibia).



### 6.4.2 Australian regulatory environment

DDSA intends to expand its Drone Service operations to the Australian market, meeting fully Australian drone regulations and leveraging its existing relationships with local regulators.

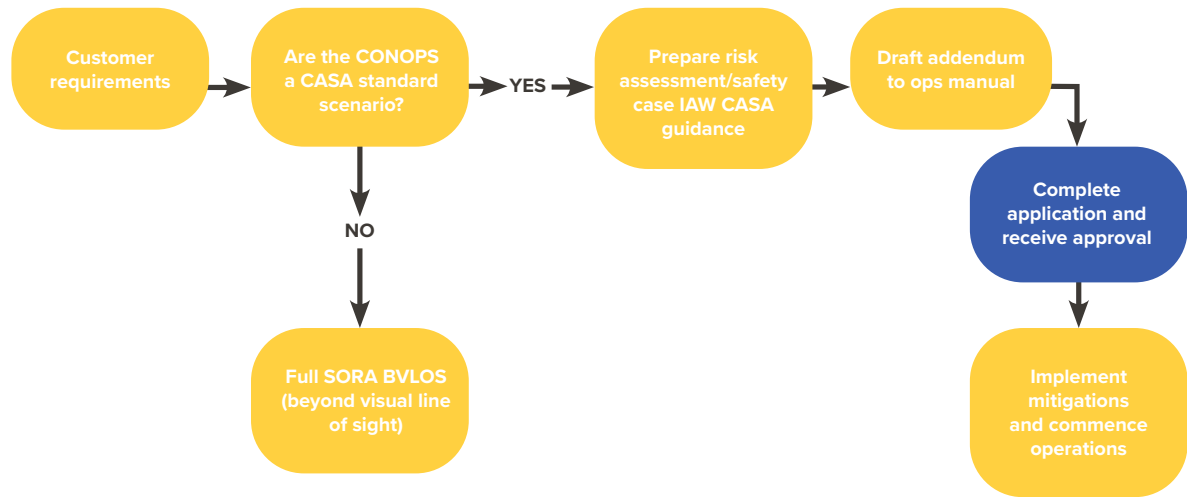
Australian drone regulation falls under the Civil Aviation Safety Regulation (1998) Part 101. Operators need to hold a remote pilot license ('RPL') and a Remotely Piloted Aircraft's operator certificate ('REOC'). In September 2016, the regulation was amended to allow drone operators to fly 15-30 meters from non-company personnel as long as they are notified and consent. Certain operations that are not permitted by the basic regulation may be approved by Australia's Civil Aviation Safety Authority ('CASA') via a Flight Authorization Approval.

Rocketmine Australia holds all relevant CASA approvals and operating certificates in Australia.

CASA has defined an excluded RPA category that is considered to be lower risk based on size and operational use. CASA highly recommends the use of safety solutions such as parachutes for this category. Drones that fall within the category of 'excluded RPA' include:

- a) 'very small' (under 2kg) RPA operated for commercial purposes; and
- b) "small" (between 2kg and 25kg) RPA operated by private landowners on their own property.

Graphic 6.4.2.1 - CASA Standard BVLOS Scenario



Source: HoverUAV

The Company is well-positioned to benefit from CASA's forthcoming standard scenarios, which will allow authorisations for BVLOS and expanded operations through the use of compliant parachute systems and other risk mitigations.

### 6.4.3 United States Regulatory Environment

The United States is currently the largest market for drone use in the world, with close to 200,000 commercial pilots and over 500,000 registered commercial drones ('FAA', 2020).

Commercial operators in the US operate under the Code of Federal Regulation, Title 14, Part 107 (Rule). Part 107 came into effect in August 2016 and is also known as the 'Small UAS Rule'. (Before Part 107 was released, UAS were categorized as an 'Aircraft' and had to abide by many of the same rules as a commercial aeroplane).

Applying for FAA waivers for operations over people using ParaZero Israel's ASTM compliant parachute systems have resulted in more than 100 waiver approvals to a myriad of U.S. organizations.

## 6.5 Commercial Drone Services SWOT Overview

The commercial drone industry is rapidly developing, particularly when it comes to urban applications of drone technology. A high-level summary of the strengths, weaknesses, opportunities and threats for the industry is included below:

Table 6.5.1 - Strengths, Weaknesses, Opportunities, Threats to Commercial Drone Services

Category	Area	Overview
Strengths	Cost	The cost of commercial drone technology and the pricing plans for drone mapping services have never been more competitive compared to conventional methods.
	Quality	Drones are ideal for taking high-quality aerial photographs and videos and for capturing large amounts of data, which is often challenging with conventional methods. These high-resolution images can be used, for example, to create 3D maps and interactive 3D models.
	Safety	Drones offer a cost-effective way to perform evaluations of objects that would otherwise require ground personnel and a human for risky ascents. In most cases, a drone operator can remotely map/survey/inspect an area without putting himself in danger.
	Access	Drones offer the opportunity to get access to remote locations or areas that are difficult to otherwise access.
	Time	Drones offer the possibility to generate maps or point clouds in a fraction of the time compared to conventional methods.
	Skills	Drone service providers are experts in their field and have industry-specific knowledge which is a key unique selling point to ensure high-end service quality.
Weaknesses	Maturity	Not all commercial applications that are advertised with drones are (yet) mature. Consequently, the data is often not of the quality desired by the customer, or otherwise not what they expect.
	Restrictions	Piloting drones in cities, city districts, airport zones or critical areas can sometimes be challenging due to flight permits, weather conditions, legal restrictions, and other object obstructions. In addition, large-scale use of drones in urban environments is extremely challenging.
	Data volume	In some use cases (e.g., inspections), a single drone can collect 50 to 100 gigabytes of data. Managing these large data sets has to be worked out with IT departments.
	Data processing	Many solutions (not all) require that you upload images from the drone to a mobile device, a laptop, or a cloud service, where they are being processed. This process can sometimes take several hours.
Opportunities	Automation	Along the entire process from data acquisition to data analysis, more and more technology is being used for automation, such as Sense and Avoid technology and Artificial Intelligence ('AI') for data analysis, which minimizes the human effort to collect and evaluate the huge amounts of information.
	Market	Commercial drone adoption is in its infancies – large-scale adoption is yet to come.
	Sustainability	Drones provide a sustainable solution in areas where work is dangerous and difficult (e.g. oil & gas industry), where inspection intervals are very long (e.g. bridge inspections) or where missions are complex.
Threats	Under-qualified / Illegal Operators	Inexperienced drone companies that offer professional services for little money without having any expertise or licenses in this field can lead to disappointed one-time customers who have no confidence in the quality and accuracy of the data after a bad experience.
	State and local regulations	Today, state, or local regulations often impede the execution of high-value commercial operations. Many governmental programs are trying to remedy this situation, but the results of these are still unclear. In addition, a patchwork of regulations that vary from one country to another makes it difficult to use drone technology abroad.
	In-sourcing	Due to data security and increasingly high degree of automation, commercial drone operation can be in-sourced.

## 6.6 Competitive landscape

There are a range of other companies that provide similar commercial drone services in the Australian and Southern African markets. In South Africa these include Premier Mapping, UDS, UDH and DC Geomatics, and in Australia these include Australian UAV, National Drones, RemSense, Measure Australia and Aightsight Australia.





DRONES PROVIDE A **SUSTAINABLE SOLUTION** IN AREAS **WHERE WORK IS DANGEROUS** AND DIFFICULT (E.G. OIL AND GAS INDUSTRY), WHERE INSPECTION INTERVALS ARE VERY LONG (E.G. BRIDGE INSPECTIONS) OR **WHERE MISSIONS ARE COMPLEX**

## 7 RISKS

### 7.1 Introduction

The Company and each member of the Merged Group is subject to a variety of risk factors. Some of these are specific to their business activities, while others are of a general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Merged Group, the investment returns of the Company and the value of the Shares.

The risks set out in this Section 7, if they eventuate, could have a material adverse impact on the Merged Group's businesses, financial condition and results of operations. The occurrence or consequences of some of the risks described in this Section 7 are partially or completely outside the control of the Company, each other member of the Merged Group, the Directors and management team.

The risks set out in this Section 7 are not an exhaustive list of the risks associated with the Merged Group's businesses or the industry in which they operate, or an investment in the Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks in this Section 7 and you should consider whether an investment in the Shares is suitable for you, having regard to your own investment objectives, financial circumstances and tax position. We recommend you seek professional advice from your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.

### 7.2 Risks specific to an investment in the Company

#### A. Limited operating history

The Merged Group's research and development business, ParaZero Israel, was incorporated in 2013. Given the limited operating history of ParaZero Israel, no assurance can be given that it will achieve commercial viability through the implementation of its business plan. Until ParaZero Israel is able to realise value from its products and technology, it is likely to incur ongoing operating losses.

#### B. Research and development

The Merged Group is focused on the development and application of drone technologies. Technology markets, by their very nature, are a continually evolving marketplace.

To succeed, the Merged Group will need to research and develop enhancements to its existing suite of products and services, as well as new products and services that are suitable for existing applications of drone technology and new applications that might not yet exist.

There is no guarantee that the Merged Group's research and development activities will meet the changing needs of its customer markets. At the same time, products and technologies developed by others may render the Merged Group's products and technology obsolete or non-competitive which could materially adversely affect the business, operating results and financial prospects of the Merged Group.

#### C. Intellectual Property protection

A substantial part of the commercial success of the Merged Group will depend on its ability to maintain, establish, and protect its intellectual property assets, maintain trade secret protection and operate without infringing the proprietary rights of third parties. ParaZero Israel currently has three granted patents (Israel, Hong Kong and China) and four patent applications (Europe, United States, Israel and the World Intellectual Property Organisation). There is a risk that each pending application will not be granted. There is a further risk that the claims of each patent application, as filed, may change in scope during examination by the patent offices.

Further, if and where a patent is granted, there can be no guarantee that such patent will be valid or enforceable or that the patent will be granted in other jurisdictions. Please refer to the Intellectual Property Report in Section 9 for more details.



The commercial value of these intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Merged Group's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the ParaZero Israel's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Merged Group (or entities it deals with) may have an interest in now or in the future will afford it commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against a member of the Merged Group under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which members of the Merged Group have or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Merged Group's businesses. If a member of the Merged Group is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Merged Group's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations. Please refer to the Intellectual Property Report in Section 9 for further details.

#### **D. Key personnel**

The future of the Merged Group, in part, depends on its ability to attract and retain key management personnel. Key persons in the Merged Group's businesses possess a considerable amount of knowledge and experience within the industries in which those businesses operate. If any of these people were unable to perform their roles for any reason, the Merged Group may fail to meet its business goals and suffer increased costs in replacing personnel or recreating knowledge. Political instability, high levels of crime and a severely depressed economy amongst other factors has resulted in many skilled South Africans looking abroad for opportunities to ply their skills. This poses a risk to the DDSA's South African operations whose key personnel are highly skilled and have skills which are sought in other parts of the world.

#### **E. Critical failure**

Given the nature of the Merged Group's products and services, any critical failure of any of its products (for whatever reason) has the potential to cause damage to the Merged Group, its brands and reputation, particularly if an injury or loss of life were to occur. Each member of the Merged Group addresses this risk by maintaining vigorous testing of its products and services. In addition, as the Merged Group's operations grow, it will consider appropriate insurance policies and other protections from such risks.

#### **F. Regulatory environment**

The Merged Group's businesses are significantly impacted by drone safety regulation in the jurisdictions in which they operate.

The South African regulatory environment is particularly stringent, although well understood by local management who were front-runners in securing the necessary licences to operate drones for commercial purposes in South Africa. Coupled with this is the fact that in order to secure an air service licence in South Africa, the applicant must be majority controlled by local residents.

Changes in the regulatory environment may lead to a loss of revenues for each member of the Merged Group. Further, it could hinder each member of the Merged Group's ability to retain existing customers and attract new customers, particularly if its products or services were perceived to be less compliant than its competitors, which would have a material adverse impact on the Merged Group's prospects.

Each member of the Merged Group addresses these risks by being an active participant in the development of regulatory frameworks for drone safety in various jurisdictions. ParaZero Israel has been invited by the FAA, alongside leading technology companies, to develop regulations to enable safe and approved flight over populous areas and fully autonomous flight. ParaZero Israel has already worked with the FAA ASSURE program, and is an active member of the Commercial Drone Alliance and Drone Alliance Europe, supporting and influencing the development of drone regulations around the world.

## **G. Regulatory compliance**

Each member of the Merged Group is required to comply with the laws governing privacy, taxation and consumer trade practices in the jurisdictions in which it operates, as well as other laws in jurisdictions in which it plans to operate, which may change from time to time. Non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of an accreditation or the introduction of new laws or regulations may lead to fines imposed, revocation of permits or licenses, reputational damage or other impacts that may impact the Merged Group's financial position and performance.

Each member of the Merged Group may be affected by changes to laws and regulations (in Australia and other jurisdictions in which it maintains operations) concerning property, the environment, safety, agriculture, airspace, competition, government grants, incentive schemes and other matters. Such changes could have adverse impacts on the Merged Group from a financial and operational perspective.

## **H. Supplier relationships**

Each member of the Merged Group relies on a small number of key suppliers in connection with the delivery of its products and services. Any inability of those suppliers to supply may put at risk the ability of that member of the Merged Group to perform its customer contracts. Further, the Merged Group's financial performance may be affected if third-party providers were to raise the cost of their products and/or services. Each member of the Merged Group considers these risks when identifying its suppliers and committing to research and development activities.

## **I. Reliance on third party products**

Certain of ParaZero Israel's products have been designed for use on hardware devices developed by third party drone manufacturers. To this extent, ParaZero Israel depends on its products being able to operate on a range of systems, platforms and devices. Any changes to external platforms, systems or devices that give preference to competing products or adversely impact on the functionality of ParaZero Israel's products may render consumers less likely to use these products, which may have a detrimental impact on the Merged Group's financial performance. Likewise, ParaZero Israel's products are predicated on consumers being able to access the internet and cellular networks. The Merged Group's financial performance may be affected if third-party providers were to raise the cost of, or materially limited access to, these networks.

## **J. Information technology**

Each member of the Merged Group leverages technology to provide value to its customers. As a result, the Merged Group is exposed to various technology related risks, including technological obsolescence, software or hardware breakdowns, data breaches and cyber-attacks. South Africa has been targeted by cyber criminals and had the third highest number of cyber-attack victims of any country in 2019. If any of these risks were to materialise, the Merged Group's products and software may be affected, which would cause considerable damage to the Merged Group's customer relationships and financial performance. The Merged Group manages these risks by employing subject-matter experts and incorporating data security features into its products and services.

## **K. Competition**

The markets in which the Merged Group operates are particularly competitive due to the lucrative nature of the contracts and contacts available within the commercial and industrial drone industries. The performance of each member of the Merged Group could be adversely affected if existing or new competitors reduce their market share through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.

## **L. Brand**

The Company believes global branding is critical for the long-term success of the Merged Group's businesses. Negative commentary or complaints may have a damaging impact on the Merged Group's ability to achieve its business objectives. Further, as the Merged Group's business model is based on recurring revenue arising from technology users and customers, poor user experiences may result in loss of customers, adverse publicity, litigation, regulatory enquiries and reduction of use of the Merged Group's products and services.

#### **M. Sales cycle**

Each member of the Merged Group primarily market its products and services to large enterprise companies. Accordingly, the sales cycle can be long, and it can take months and years to close significant transactions, whilst remaining subject to changes in regulatory environments and customers' budgets. More specifically, the Merged Group may incur costs in connection with its marketing activities with potential customers that may not be recovered.

The Merged Group mitigates these risks through its diversified business model and client base to ensure that it has a mix of ongoing revenue, whilst also building its commercial position in the commercial drone industry.

#### **N. Counter-party risk**

The business of each member of the Merged Group depends on contractual agreements with third parties, including suppliers and customers, should a third-party contract fail (such as due to third party insolvency, fraud and management failure), there is the potential for negative financial and brand damage for the Merged Group.

#### **O. International operations**

ParaZero Israel and DDSA are incorporated in Israel and South Africa, and both entities maintain international business operations. The Merged Group is therefore subject to a number of risks inherent in multi-jurisdictional business, including (but not limited to) political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international export laws and regulatory requirements, risks stemming from the Merged Group's lack of local business experience in specific foreign countries, difficulty in enforcing foreign contracts and intellectual property rights, changes to or uncertainty in relevant legal and regulatory regimes (including in relation to taxation and foreign investment and practices of government and regulatory authorities), language and other cultural barriers. Management experience will help to mitigate, but will not remove, this risk.

Additionally, operating an international business with activities in various jurisdictions will necessarily require substantial input from a variety of legal counsel and expose the Merged Group to legal costs that may be disproportionately high relative to its revenues, and will be incurred regardless of whether the Merged Group derives revenues from a given jurisdiction or at all.

#### **P. Foreign exchange**

As stated, the Merged Group operates in a variety of jurisdictions, including Israel and South Africa, and as such, expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Group's results or operations and cash flows. For example, the appreciation or depreciation of the Israeli New Shekel relative to the Australian dollar would result in a foreign currency loss or gain. Any depreciation of currencies in foreign jurisdictions in which the Merged Group operates may result in lower than anticipated revenue, profit and earnings of the Merged Group.

#### **Q. Israeli companies**

ParaZero Israel is incorporated in Israel and its research and development facilities are based in that country. Accordingly, political, economic and military conditions in Israel and the surrounding region, and national, company, consumer and other boycotts, may directly affect ParaZero Israel's business. Any hostilities involving Israel, or the interruption or curtailment of trade within Israel or between Israel and its trading partners could materially and adversely affect ParaZero Israel's business.

Furthermore, several countries, principally in the Middle East, restrict business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may have an adverse impact on the Merged Group's ability to sell its products and services, its business operations and financial performance.

## **R. Doing business in Africa**

DDSA conducts its operations in South Africa and Ghana, and may explore commercial opportunities in other southern African countries. Consequently, it is subject to the risks and uncertainties associated with operating in that region of the world, including high rates of inflation, disproportionately high levels of crime, significant levels of unemployment and poverty, labour unrest, a highly unionised and politicised workforce, race sensitivity, inadequate and/or unreliable power supply, large scale government and public-sector corruption, old and poorly maintained essential infrastructure, threats of nationalisation of key industries and land reform, currency exchange fluctuations, limitations on repatriation of profits, special grants or contracts, changes in taxation policies, currency controls and regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens, or purchase supplies from, a particular jurisdiction.

In particular, in South Africa, black economic empowerment legislation was implemented after the fall of Apartheid to redress the inequalities created by the Apartheid regime and to promote the participation of previously disadvantaged communities in the local economy. Although this legislation leaves it to each business to determine its level of compliance, because of the cascading effect of the legislation, most businesses in South Africa are required to comply with the purpose of the legislation to either secure existing business, develop new business or to retain regulatory accreditation. A business' compliance with the legislation is measured in terms of a points system created by the legislation. In order to maximise its score, a business must implement a strategy to ensure that its ownership and management control are largely vested in the hands of previously disadvantaged South Africans and that its operational expenditure is directed in part to the development of skills in persons emanating from previously disadvantaged communities and to supporting new enterprise and supplier development as well as socio-economic development in previously disadvantaged communities. Businesses are designated into one of three categories based on the business' annual turnover. The greater the business' turnover, the stricter the requirements the business must meet to achieve maximum points. To reach the highest score available for new enterprise and supplier development, a business must ensure that it procures from other businesses which score highly in respect of their compliance with the legislation. Businesses seeking to secure government or public tenders must meet minimum levels of compliance with the legislation. Businesses which score highly are given preference to those which only meet the minimum criteria. Consequently, pressure is placed on all businesses in the value chain to realise the highest compliance scores possible in order to remain relevant. Some customers of the Delta Drone Group also require compliance with this Act, or other empowerment legislation.

A high-level overview of the relevant South African legislation is included in Section 6.4.1.

Many other African countries have similar legislative requirements designed to ensure that ownership and/or control of businesses operating within their borders are held in the hands of their citizens.

In particular, DDSA's subsidiary, Rocketmine South Africa, has a minority shareholding group which holds 26% of the shares in that entity. To date, the shareholders have been working collaboratively however, this could obstruct the ability for DDSA to resolve certain issues requiring a Special Resolution under this subsidiary's constitution.

Further, another of DDSA's subsidiaries, Rocketmine Ghana, has a minority shareholder as Ghanaian law requires a minimum 10% local ownership. The ability for DDSA to work with these minority shareholders may have future implications on the activities of this entity.

The occurrence of any of these risks or any material changes in government policies, attitude or legislation in the regions in which DDSA operates may have an adverse impact on DDSA's business operations and the Merged Group's financial performance.

## **S. Foreign litigation**

As stated above, certain members of the Merged Group are incorporated in foreign jurisdictions and certain of the Company's Directors and officers reside outside of Australia. Consequently, it may be difficult to enforce a judgment of an Australian court against the Company, a member of the Merged Group, or their directors and officers. It may also be difficult to effect service of process on such persons in Australia or to assert Australian securities law claims in original actions instituted in those foreign jurisdictions.

Foreigners proceeding with legal action in South Africa must expect to be required to give security for the costs of the litigation soon after commencing proceedings. South Africa has a multiple stage appeal system and it is therefore possible that a litigant may be required to go through as many as three appeal processes before reaching the final determination of a claim. The South African Courts are severely overburdened and that, coupled with the transformation of the bench which has resulted in a less experienced bench, often results in claims being unnecessarily protracted and to judicial uncertainty. Private arbitration in South Africa is however of a world class standard.



## **T. Insurance**

Each member of the Merged Group seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. However, any increase in the cost of such policies could adversely affect the Merged Group's business, financial condition and operational results, as well as uninsured loss or caps on insurance coverage.

## **U. Aviation and other regulations**

Certain members of the Merged Group require ICASA, CASA, FAA, Department of Transport (SA), and Civil Aviation Authorities in South Africa, Ghana and other international jurisdictions' regulatory and licencing approvals for their operations. These include compliance with air traffic frequency requirements, that need to be renewed on an ongoing basis. These entities consistently need to update their compliance regime with relevant approvals, and may need to notify key stakeholders with regards to any updated ownership structure such as that which will occur upon completion of the transactions contemplated in this Prospectus, as well as for other areas of compliance with various regulations. At any time, relevant members of the Merged Group may not be in full compliance with these requirements, but will continue to work with relevant authorities to ensure that they meet their obligations on an ongoing basis.

### **8.3 General risks associated with an investment in the Company**

#### **A. Price of the Shares and general investment factors**

The Company is subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its share price that are not explained by the fundamental operations and activities of the Group. The price at which the Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation of Shares on ASX, even if the Group's operating and financial performance improves. Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions in the regions in which the Group operates, including interest rates, inflation rates, exchange rates, consumer sentiment and commodity and oil prices, changes to government policy, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Group operates and general and operational business risks. Other factors which may negatively affect investor sentiment and influence the Company, specifically or the stock market more generally, include acts of terrorism, breaks of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

#### **B. Trading and liquidity in the Shares**

There can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time and as such, Shareholders with large holdings of Shares choosing to trade out of their positions may adversely affect the market. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that they paid.

### **C. Delta Drone SA will hold a significant stake in the Company post-completion of the Proposed Transaction**

Following completion of the Proposed Transaction and quotation of the Shares on ASX, Delta Drone SA is expected to hold a maximum of 54.49% of the Shares on issue in the Company (based on total cash proceeds of \$3.5 million received under the Offer, being the Minimum Subscription amount, and Delta Drone SA subscribing for 12,500,000 Shares under the Offer<sup>3</sup>). This percentage holding may increase further if the Performance Shares to be issued to Delta Drone SA convert into Shares in accordance with their terms. Delta Drone SA may be in a position to exert significant influence over the outcome of matters relating to the Company, including the election of Directors and approval of transactions. The interests of Delta Drone SA may be different from the interests of investors who purchase Shares under this Prospectus.

Further, as a condition of re-listing, it is expected that ASX will classify certain Shares and Performance Shares held by Delta Drone SA ('**Escrowed Securities**') as 'restricted securities' and impose mandatory escrow on these Escrowed Securities. This will restrict Delta Drone from dealing in those Escrowed Securities until they are released from escrow. These disposal restrictions may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the market price at which Shareholders are able to sell their Shares. At the end of the escrow period, the Escrowed Securities will be able to be freely traded on ASX. The sale of the Escrowed Securities released from escrow, or the perception that such sales may have occurred or might occur, may adversely affect the price of the Shares. Alternatively, the absence of any sale of the Escrowed Securities released from escrow may cause or contribute to a diminution in the liquidity of the market for the Shares. Refer to Section 14.13 for further details on escrow arrangements.

### **D. Changes in tax rules or their interpretation**

Changes in tax law (both in Australia and all foreign jurisdictions in which the Merged Group conducts operations, such as Israel and South Africa), or changes in the way taxation laws are interpreted, may impact the tax liabilities of the Merged Group. In particular, both the level and basis of taxation may change. Any change to the current tax rates imposed on the Merged Group is likely to affect returns to Shareholders.

### **E. Tax considerations for Shareholders**

An investment in the Shares involves tax considerations which may differ for each Shareholder. Each investor considering an investment in the Company is encouraged to seek professional tax advice. The taxation comments in Section 14.17 of this Prospectus are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business trading in securities or take into consideration individual circumstances of investors. Tax liabilities are the responsibility of each investor and the Company is not responsible for taxation or penalties incurred by investors.

### **F. Future issues of Shares may dilute the holdings of Shareholders**

Other than the proposed offering of Shares under the Offer, the Company has no current plans for an offering of Shares and is subject to the constraints of the Listing Rules regarding the Shares it is able to issue within a 12-month period (subject to certain limited exceptions). It is possible that in the future, the Company may elect to issue additional Shares, either to raise capital or for other purposes. Subject to any applicable statutory pre-emption rights, any future issues of Shares may have a dilutive effect on the holdings of Shareholders and could have a material adverse effect on the market price of Shares as a whole.

### **G. Force majeure events**

Events may occur within or outside the regions in which the Merged Group operates that may have potential impacts on the global and domestic economies, the Merged Group's (and its suppliers and customers) operations and the price of the Shares. These events include, but are not limited to, acts of terrorism, outbreaks of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences, any of which could adversely affect the Merged Group's financial and operational performance. The Merged Group has a limited ability to insure against some of the risks mentioned above.

### **H. Investment in Shares considered speculative**

The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or their market value. The prices at which an investor may be able to trade the Shares may be above or below the price paid for the Shares. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

<sup>3</sup> Delta Drone SA has expressed an intention to invest up to \$500,000 into the Offer.





AT THE COMPLETION OF THE OFFER, THE COMPANY WILL HAVE  
A **STRONG BALANCE SHEET** THAT IS ABLE TO FUND THE INTENDED  
ESTABLISHMENT OF **AUSTRALIAN OPERATIONS** WHILE MAINTAINING  
SUFFICIENT WORKING CAPITAL TO FUND THE EXECUTION  
OF MANAGEMENT'S **GROWTH PLAN**



## 8 FINANCIAL INFORMATION

### 8.1 Introduction

The financial information contained in this Section has been prepared by the Company in connection with the Offer. The financial information as set out below has been translated for convenience into Australian dollars for the historical financial years ended 31 December 2018, 31 December 2019 and the half years ended 30 June 2020 and 2019. The financial information contained in this section includes:

- **Consolidated Pro Forma Historical Financial Information** of the Company, comprising the:
  - Consolidated Pro Forma historical statements of profit and loss for the years ended 31 December 2018 and 2019 and the half years ended 30 June 2019 and 2020. (**Pro Forma Historical Results**);
  - Consolidated Pro Forma historical statements of cash flows the years ended 31 December 2018 and 2019 and the half years ended 30 June 2019 and 2020 (**Pro Forma Historical Cash Flows**);
  - Pro Forma historical consolidated statement of financial position as at 30 June 2020 (**Pro Forma Historical Statement of Financial Position**);

The Pro Forma Historical Financial Information form the **Pro Forma Financial Information**.

Also summarised in this Section 8 are:

- the basis of preparation and presentation of the Financial Information (refer Section 8.2);
- details of the Company's indebtedness (refer Section 8.5.2);
- management's discussion and analysis of the Pro Forma Historical Financial Information (refer Sections 8.3, 8.4 and 8.5);
- details of the proposed dividend policy (refer Section 8.6).

The Financial Information provided in this Section 8 should be read together with the information provided in this Prospectus, including:

- the risk factors outlined in Section 7;
- the description of the use of the proceeds of the Offer described in Section 13.1.2;
- the Independent Limited Assurance Report, set out in Section 10; and
- the indicative capital structure described in Section 13.1.4.

### 8.2 Basis of Preparation and Presentation of the Financial Information

#### 8.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the enlarged group. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information presented in this Prospectus has been reviewed by BDO Corporate Finance (WA) Pty Ltd (**BDO**) in accordance with the *Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 10).

The Company operates on a financial year ended 31 December. All amounts disclosed in this Section 8 are presented in Australian Dollars. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.



The following exchange rates have been used to translate foreign currency to Australian Dollars in this Section 8.

<b>USD to AUD</b>	
Average rate for the six months to 30 June 2020	0.658
Average rate for the six months to 30 June 2019	0.7063
Average rate for the twelve months to 31 December 2019	0.6953
Average rate for the twelve months to 31 December 2019	0.7486
<b>Rand to AUD</b>	
Average rate for the six months to 30 June 2020	0.09141
Average rate for the six months to 30 June 2019	0.09975
Average rate for the twelve months to 31 December 2019	0.09959
Average rate for the twelve months to 31 December 2019	0.10124

For the 30 June 2020 Balance sheets USD rates have been translated at 0.6891 and Rand rates at 0.08380.

### **Measurement and Recognition Principles**

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of International Financial Reporting Standards ('IFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

For further information in relation to the basis of preparation and the Significant Accounting policies applied refer to Appendix 3 of the Independent Limited Assurance Report in Section 10 of the Prospectus.

## **8.2.2 Preparation of the Historical Financial Information**

### **Statutory Historical Financial Information**

The Historical Financial Information has been extracted from the financial report of the Company for the years ended 31 December 2020 and 2019, which was audited by BDO Audit (WA) Pty Ltd and the half year ended 30 June 2020 and 2019 which was reviewed in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions and an unmodified review opinion on the financial reports. BDO Audit (WA) Pty Ltd noted an Emphasis of Matter in respect to going concern.

The Historical Financial Information has been extracted from the financial report of DDSA for the years ended 31 December 2020 and 2019, which was audited by BDO South Africa Incorporated and the half year ended 30 June 2020 and 2019 which was reviewed in accordance with the International Standards on Auditing. BDO South Africa Incorporated issued unmodified audit opinions and an unmodified review opinion on the financial reports.

### **Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus.

The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information with the Company and DDSA being consolidated and translated into Australian Dollars.

The Pro Forma Historical Statement of Financial Position as at 30 June 2020 is based on the reviewed financial statements of the Company at that date adjusted to reflect the impact of the Offer and other material transactions post 30 June 2020 including the acquisition of DDSA (refer to Sections 5 and 6 of the Independent Limited Assurance Report in Section 10 of the Prospectus).

Investors should note that past results are not a guarantee of future performance.

On 30 October 2018, DDSA disposed of 26% of its shareholding in Rocketmine South Africa to Delta Drone Empowerment (Pty) Ltd in order to raise the BEE rating of Rocketmine South Africa and empower BEE Stakeholders.

## 8.3 Consolidated Pro Forma Historical Results

### 8.3.1 Overview

Table 8.3.1.1 below sets out the Pro Forma Historical Results:

Table 8.3.1.1

	Half year ended 30 June 2020	Half year ended 30 June 2019	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	A\$	A\$	A\$	A\$
Revenue and other income	2,197,060	2,811,206	5,938,820	3,752,509
Cost of sales	(912,259)	(1,731,966)	(3,410,021)	(1,979,574)
Credit from suppliers	132,857	-	-	-
<b>Gross profit</b>	<b>1,417,658</b>	<b>1,079,240</b>	<b>2,528,799</b>	<b>1,772,935</b>
Operating expenses	(2,105,479)	(2,677,481)	(5,102,986)	(6,422,632)
Share based payments	-	-	-	(1,827,489)
<b>Operating profit (loss)</b>	<b>(687,821)</b>	<b>(1,598,241)</b>	<b>(2,574,187)</b>	<b>(6,477,186)</b>
Investment revenue	16,472	12,270	37,208	3,221
Finance costs	(38,177)	(127,963)	(151,593)	(35,778)
<b>Profit (loss) before Taxation</b>	<b>(709,526)</b>	<b>(1,713,934)</b>	<b>(2,688,572)</b>	<b>(6,509,743)</b>
Taxation	(64,260)	(51,706)	(19,917)	64,304
<b>Profit (loss) for the year</b>	<b>(773,786)</b>	<b>(1,765,640)</b>	<b>(2,708,489)</b>	<b>(6,445,439)</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Foreign currency translation differences, net of tax	(31,374)	(20,577)	(11,841)	(258,728)
<b>Other comprehensive loss for the year net of taxation</b>	<b>(31,374)</b>	<b>(20,577)</b>	<b>(11,841)</b>	<b>(258,728)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>(805,160)</b>	<b>(1,786,217)</b>	<b>(2,720,330)</b>	<b>(6,704,167)</b>
<b>Profit (loss) attributable to:</b>				
Owners of the group and its subsidiaries	(835,920)	(1,812,662)	(2,737,622)	(6,465,853)
Non-controlling interest	62,136	47,022	29,132	20,415
	<b>(773,784)</b>	<b>(1,765,640)</b>	<b>(2,708,490)</b>	<b>(6,445,438)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the group and its subsidiaries	(867,294)	(1,833,238)	(2,749,463)	(6,724,581)
Non-controlling interest	62,136	47,022	29,132	20,415
	<b>(805,158)</b>	<b>(1,786,216)</b>	<b>(2,720,331)</b>	<b>(6,704,166)</b>

## Notes

### DDSA

DDSA experienced strong revenue growth from 2017 to 2019. The COVID-19 pandemic lockdown adversely affected revenue in April, May and June 2020, with monthly average revenue down approximately 25% for that period. Consequently, the business does not expect to maintain the revenue growth seen in previous years, however a moderate and more sustainable growth is expected to be achieved.

Rigorous cost control and astute negotiation with suppliers has meant that DDSA is expected to remain profitable during 2020 despite the negative effects of COVID-19 and the lockdown. The business is also reaping the benefits of expenditure incurred in prior years to automate business processes and create efficient structures. As a result, Gross Profit as a percentage of turnover and Net Profit as a percentage of turnover for 2020 year to date have improved in comparison to the previous 2 financial years.

## Company

During H1 2020, the Company has been affected by COVID-19 shutdowns across its main target territories and this has resulted in a significant decrease to revenues in comparison to H1 2019.

Israel's lockdown from March to May 2020 impeded R&D efforts to certify a new generation of the Company's products. As operations have resumed following the lifting of restrictions, the Company is working hard to push forward with these efforts. The Company placed some of its Israeli R&D employees on unpaid leave during the period of government-imposed restrictions on movement and operations.

The Company proactively took steps to reduce R&D expenses via discussions with its main suppliers and was able to reduce expenses by US\$96K compared to the parallel period in 2019. It is important to note that the parallel period in 2019 included US\$252K in Israeli Innovation Authority grants and royalties' adjustments that decreased the overall R&D expense in that period significantly.

## 8.4 Consolidated Pro Forma Historical Cash Flows

### 8.4.1 Overview

Table 8.4.1.1 below sets out the Pro Forma Historical Cash Flows:

Table 8.4.1.1

	Half year ended 30 June 2020	Half year ended 30 June 2019	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	A\$	A\$	A\$	A\$
<b>Cash flows from operating activities:</b>				
Cash generated from (used in) operations	(434,366)	(1,850,215)	(2,592,975)	(5,454,464)
Interest received	16,499	12,783	37,795	4,720
Interest paid	(6,751)	(8,297)	(37,437)	(25,418)
Tax paid	(38,275)	(72,695)	(53,725)	(51,468)
<b>Net cash flows provide by/(used in) operating activities</b>	<b>(462,893)</b>	<b>(1,918,424)</b>	<b>(2,646,342)</b>	<b>(5,526,630)</b>
<b>Cash flows from investing activities:</b>				
Acquisition of property plant and equipment	(80,489)	(136,953)	(313,532)	(765,015)
Sales of property, plant and equipment	9,699	5,928	50,082	-
Acquisition of businesses	-	2,037	2,034	-
Cash held by the Company at Acquisition date	-	-	-	20,627
<b>Net cash flows provide by/(used in) investing activities</b>	<b>(70,790)</b>	<b>(128,988)</b>	<b>(261,416)</b>	<b>(744,388)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from equity instruments of the Company	-	2,406,002	2,953,384	4,530,047
Repayment of borrowings	-	1	2	3
Proceeds from convertible notes	832,246	-	-	1,688,258
Proceeds from borrowings	43,945	-	-	-
Change in bank overdraft	(137,155)	-	129,797	(49,097)
Receipts from Israel Innovation authority	-	1	2	3
Share issue costs	-	(88,431)	-	-
Loans (repaid to)/advanced from group companies	(160,193)	(5,803)	(242,236)	1,350,471
<b>Net cash flows provide by/(used in) financing activities</b>	<b>578,843</b>	<b>2,311,770</b>	<b>2,840,949</b>	<b>7,519,685</b>
(Decrease)/increase in cash and cash equivalents	45,160	264,358	(66,809)	1,248,667

## Notes

The Company was able to maintain a positive cash balance in the H1 2020 mainly due to its ability to raise funds via convertible notes. As noted in the P&L overview, COVID-19 affected the ability of the Company to sell products and undertake projects, however due to efforts taken to reduce operating expenses, the overall cash reduction from operations improved in calendar H1 2020 compared to the same period in H1 2019.

## 8.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

### 8.5.1 Overview

Table 8.5.1.1 and 8.5.1.2 following sets out Pro Forma Statement of Financial Position under the Minimum and Maximum Subscriptions. For details of the assumptions adopted in compiling the Pro Forma Statement of Financial Position, please refer to Section 5 and 6 of the Independent Limited Assurance Report in Section 10 of the Prospectus.

*Table 8.5.1.1 - Minimum subscription*

	ParaZero reviewed as at 30 June 2020	DDSA reviewed as at 30 June 2020	Subsequent events	Pro-forma adjustments	Pro-forma after issue
	A\$	A\$	A\$	A\$	A\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	177,816	821,320	800,000	2,680,628	4,479,764
Trade and other receivables	178,979	419,117	-	-	598,096
Current tax receivable	-	37,671	-	-	37,671
Inventory	1,015,303	39,800	-	-	1,055,103
<b>Total current assets</b>	<b>1,372,098</b>	<b>1,317,908</b>	<b>800,000</b>	<b>2,680,628</b>	<b>6,170,634</b>
<b>NON CURRENT ASSETS</b>					
Property plant & equipment	101,346	370,574	-	-	471,920
Goodwill	-	549,263	5,695,802	-	6,245,065
Intangible assets	-	51,494	-	-	51,494
Right of use assets	-	133,263	-	-	133,263
Deferred tax	-	53,217	-	-	53,217
<b>Total non current assets</b>	<b>101,346</b>	<b>1,157,811</b>	<b>5,695,802</b>	<b>-</b>	<b>6,954,959</b>
<b>Total assets</b>	<b>1,473,444</b>	<b>2,475,719</b>	<b>6,495,802</b>	<b>2,680,628</b>	<b>13,125,593</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	347,316	30,265	-	-	377,581
Loans from Group Companies	-	2,613,391	(2,613,391)	-	-
Borrowings	38,183	-	-	-	38,183
Other financial liability	119,385	-	-	-	119,385
Current tax payable	-	1,633	-	-	1,633
Lease liabilities	-	56,293	-	-	56,293
Convertible notes	844,025	-	(844,025)	-	-
<b>Total current liabilities</b>	<b>1,348,909</b>	<b>2,701,582</b>	<b>(3,457,416)</b>	<b>-</b>	<b>593,075</b>
<b>NON CURRENT LIABILITIES</b>					
Other financial liability	257,053	-	-	-	257,053
Deferred tax	-	14,419	-	-	14,419
Lease liabilities	-	97,328	-	-	97,328
<b>Total non current liabilities</b>	<b>257,053</b>	<b>111,747</b>	<b>-</b>	<b>-</b>	<b>368,800</b>
<b>Total liabilities</b>	<b>1,605,962</b>	<b>2,813,329</b>	<b>(3,457,416)</b>	<b>-</b>	<b>961,875</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>(132,518)</b>	<b>(337,610)</b>	<b>9,953,218</b>	<b>2,680,628</b>	<b>12,163,718</b>
<b>EQUITY</b>					
Issued Capital	15,500,441	974,869	(8,053,132)	3,174,913	11,597,091
Share based payments reserve	2,885,029	-	(2,885,029)	-	-
Predecessor accounting reserve	(273,819)	(814,092)	273,819	-	(814,092)
Foreign exchange reserves	(318,775)	7,309	318,775	-	7,309
Accumulated losses	(17,925,394)	(568,724)	20,298,785	(494,285)	1,310,382
<b>Total</b>	<b>(132,518)</b>	<b>(400,638)</b>	<b>9,953,218</b>	<b>2,680,628</b>	<b>12,100,690</b>
Non-controlling interest	-	63,028	-	-	63,028
<b>TOTAL EQUITY</b>	<b>(132,518)</b>	<b>(337,610)</b>	<b>9,953,218</b>	<b>2,680,628</b>	<b>12,163,718</b>



Table 8.5.1.2 - Maximum subscription

	ParaZero reviewed as at 30 June 2020	DDSA reviewed as at 30 June 2020	Subsequent events	Pro-forma adjustments	Pro-forma after issue
	A\$	A\$	A\$	A\$	A\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	177,816	821,320	800,000	4,082,393	5,881,529
Trade and other receivables	178,979	419,117	-	-	598,096
Current tax receivable	-	37,671	-	-	37,671
Inventory	1,015,303	39,800	-	-	1,055,103
<b>Total current assets</b>	<b>1,372,098</b>	<b>1,317,908</b>	<b>800,000</b>	<b>4,082,393</b>	<b>7,572,399</b>
<b>NON CURRENT ASSETS</b>					
Property plant & equipment	101,346	370,574	-	-	471,920
Goodwill	-	549,263	5,695,802	-	6,245,065
Intangible assets	-	51,494	-	-	51,494
Right of use assets	-	133,263	-	-	133,263
Deferred tax	-	53,217	-	-	53,217
<b>Total non current assets</b>	<b>101,346</b>	<b>1,157,811</b>	<b>5,695,802</b>	<b>-</b>	<b>6,954,959</b>
<b>Total assets</b>	<b>1,473,444</b>	<b>2,475,719</b>	<b>6,495,802</b>	<b>4,082,393</b>	<b>14,527,358</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	347,316	30,265	-	-	377,581
Loans from Group Companies	-	2,613,391	(2,613,391)	-	-
Borrowings	38,183	-	-	-	38,183
Other financial liability	119,385	-	-	-	119,385
Current tax payable	-	1,633	-	-	1,633
Lease liabilities	-	56,293	-	-	56,293
Convertible notes	844,025	-	(844,025)	-	-
<b>Total current liabilities</b>	<b>1,348,909</b>	<b>2,701,582</b>	<b>(3,457,416)</b>	<b>-</b>	<b>593,075</b>
<b>NON CURRENT LIABILITIES</b>					
Other financial liability	257,053	-	-	-	257,053
Deferred tax	-	14,419	-	-	14,419
Lease liabilities	-	97,328	-	-	97,328
<b>Total non current liabilities</b>	<b>257,053</b>	<b>111,747</b>	<b>-</b>	<b>-</b>	<b>368,800</b>
<b>Total liabilities</b>	<b>1,605,962</b>	<b>2,813,329</b>	<b>(3,457,416)</b>	<b>-</b>	<b>961,875</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>(132,518)</b>	<b>(337,610)</b>	<b>9,953,218</b>	<b>4,082,393</b>	<b>13,565,483</b>
<b>EQUITY</b>					
Issued Capital	15,500,441	974,869	(8,053,132)	4,545,844	12,968,022
Share based payments reserve	2,885,029	-	(2,885,029)	-	-
Predecessor accounting reserve	(273,819)	(814,092)	273,819	-	(814,092)
Foreign exchange reserves	(318,775)	7,309	318,775	-	7,309
Accumulated losses	(17,925,394)	(568,724)	20,298,785	(463,451)	1,341,216
<b>Total</b>	<b>(132,518)</b>	<b>(400,638)</b>	<b>9,953,218</b>	<b>4,082,393</b>	<b>13,502,455</b>
Non-controlling interest	-	63,028	-	-	63,028
<b>TOTAL EQUITY</b>	<b>(132,518)</b>	<b>(337,610)</b>	<b>9,953,218</b>	<b>4,082,393</b>	<b>13,565,483</b>

## **Combined**

Following its half year report ending 30 June 2020, the Company was able to secure A\$800k via convertible notes in bridge funding.

A significant part of the above stated inventory, is related to SafeAir systems for Phantom 4 and Mavic which were manufactured in the previous year and will continue to support the sales of ASTM certified systems over the next 12 to 18 months.


### **8.5.2 Indebtedness**

The indebtedness of the Company as at 30 June 2020 on a pro-forma basis was \$0.96 million on a gross basis (total). The majority of this balance relates to trade payables and lease liabilities. A significant element of the Proposed Transaction and re-listing is the conversion of convertible notes into Shares.

## **8.6 Dividend policy**

The payment of a dividend by the Company, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of the Merged Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company.





**PARAZERO** ISRAEL HAS FOCUSED HEAVILY ON **RESEARCH AND DEVELOPMENT** AND IS CONSIDERED A **MARKET LEADER** IN AUTONOMOUS DRONE **SAFETY SYSTEMS** AND REGULATORY **COMPLIANCE**



# FB RICE



24 September 2020

The Directors

Parazero Limited  
Level 27, 101 Collins Street  
Melbourne VIC 3000

### Parazero Patent Report

Dear Directors

We are instructed by Parazero Limited ACN 618 678 701 (**Parazero AU**) to provide this report (**Report**) on the patent portfolio of Parazero Ltd., an Israeli Company registration no. 514932821 (**Parazero IL**).

The Report is for inclusion in a prospectus to be issued by Parazero AU in connection with a merger between Parazero AU and Delta Drone South Africa. Parazero AU has entered into a share sale agreement (**Share Sale Agreement**) pursuant to which it has conditionally agreed to acquire 100% of the issued share capital of Delta Drone South Africa (Pty) Ltd from French listed Delta Drone SA. We understand that the prospectus will be lodged with the Australian Securities & Investments Commission by Parazero AU, on or about the date of this Report.

This Report sets out the particulars of intellectual property residing in patents, in the name of Parazero IL. This Report is based on data provided online by the relevant Patent Offices, including the World Intellectual Property Organisation (**WIPO**), US Patents and Trademarks Office (**USPTO**) and the European Patent Office (**EPO**), Israel Patent Office (**IPO**), State Intellectual Property Office of China (**SIPO**), Intellectual Property Office of Singapore (**IPOS**), Japan Patent Office (**JPO**), Canadian Intellectual Property Office (**CIPO**) and the Intellectual Property Department (**IPD**) of Hong Kong.

The Report is correct to the best of our knowledge as at the date of the Report, subject to the limits and qualifications set out further below.

Patent and Trade Mark Attorneys

FB Rice Pty Ltd ABN 70 618 431 851

Level 23  
44 Market Street  
Sydney NSW 2000  
Australia

PO Box A851  
Sydney South  
NSW 1235  
Australia

Tel +61 2 8231 1000  
Fax +61 2 8231 1099  
contact@fbrice.com.au  
www.fbrice.com.au



## Background

### FB Rice

FB Rice is a firm of patent and trade mark attorneys specialising in the law and practices relating to intellectual property and, more particularly, patents, trademarks, industrial designs and plant breeders rights. All partners of FB Rice are Fellows of the Institute of Patent and Trade Mark Attorneys of Australia. In addition, all partners of FB Rice are registered New Zealand patent attorneys. The patent attorneys of FB Rice are specialists in the technology areas of electrical and mechanical engineering, electronics, chemistry, biotechnology, medical devices, computers, information technology and communication technology. Each of the professional staff members in the patent department of FB Rice hold tertiary qualifications in the technology area in which that person practises. Many professional staff members of FB Rice in the patent department also hold postgraduate qualifications.

### Patents

Patents are an important component of an intellectual property portfolio. To obtain protection in any jurisdiction, it is necessary to file an application for registration of the relevant right in that jurisdiction. Patents are a form of intellectual property that cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. Patents are granted for inventions that are new or improved useful products or methods. A patent has a finite term of typically 20 years from the filing date and provides the owner with a period in which others may be excluded from commercially exploiting an invention that is covered by the claims of the granted patent. However, the granting of patent rights does not confer a right on the patentee to exploit an invention and this is subject to the existence of any intervening third party rights, such as an earlier patent in the same field which is in force.

The granting of a patent does not mean the patent is valid. A granted patent can be revoked through re-examination proceedings before the Patent Office in those jurisdictions that provide for re-examination, or through revocation proceedings before the Courts. Grounds for invalidity include the invention not being proper subject matter, not novel, not inventive (obvious), and the patent specification being deficient.

Maintenance of a patent is subject to payment of renewals, which if not paid within the allowed time, will result in the patent ceasing.

### Trademarks

A trade mark is a way of identifying a unique product or service. There is no legal requirement to register a trade mark in order to use it. However, registering a trademark provides proprietary rights to use that trademark and exclusive right to prevent others from using it.

## Patent Families

Parazero IL is officially recorded in the records of the respective Patent Offices, as the owner of the granted patents (**Parazero Patents**) and patent applications (**Parazero Patent Applications**) as set out in the table below.

In order to locate related applications worldwide, we queried a database of the EPO and confirm that the table below is complete. We also note that item 8 has been included because we have received and sighted the filing receipt of this application but we note that this application was not yet visible on the public records on the date of this report.

The Parazero Patents have undergone examination by the Patent Offices relevant to the jurisdictions, and are granted in each jurisdiction noted in the table below. The Parazero Patents will remain in force subject to payment of renewals as they fall due, and subject to no other adverse action. We note that one patent family entitled "SAFETY APPARATUS FOR A MULTI-BLADE AIRCRAFT" has been abandoned and is therefore not listed in the table below.

We set out below a list of the Parazero Patents and Parazero Patent Applications as of 1 September 2020:

Item	Title	Official Number	Status	Country
1	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	229068	Granted	Israel
2	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	PCT/IL2014/050920	Lapsed	World Intellectual Property Organisation
3	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	16113519.7	Granted	Hong Kong
4	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	15/030,533 US10,421,552	Granted	United States
5	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	14855086.6	Pending	Europe
6	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	201480058600	Granted	China
7	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	251342	Granted	Israel
8	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	PCT/IL2018/050303	Lapsed	World Intellectual Property Organisation
9	DAMAGE MITIGATING APPARATUS	16/576,882	Pending	United States
10	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	3057273	Pending	Canada
11	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	201880020223	Pending	China

12	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	18771183A	Pending	Europe
13	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	2019551441	Pending	Japan
14	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	11201908488WA	Pending	Singapore
15	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	16/492,327	Pending	United States

**United States Specific Requirements**

In the United States, each person associated with filing and prosecution of a patent application owes a duty of disclosure, candour and good faith toward the USPTO. Under this duty, any prior art known to those persons that could be material to the question of patentability of the claimed invention must be disclosed to the USPTO. This duty continues up to the date of grant of the United States patent.

The disclosure of relevant prior art takes place by filing an Information Disclosure Statement (IDS) with the USPTO. Failure to disclose relevant prior art can lead to any United States patent that issues being unenforceable.

For items 4 and 9 Parazero has filed an IDS, so it appears to have met the required duty of disclosure, and there are no issues apparent from publicly available records in this regard that might affect Parazero's ability to enforce its United States patent or patent application once granted. However, we have not investigated whether further relevant prior art has been raised. For item 15, the application is not yet open for public inspection.

**Validity of Parazero Patents and Parazero Patent Applications**

We are not aware of any specific prior art related issues that would be expected to affect the validity of the Parazero Patents or the Parazero Patent Applications. However, we have not performed a prior art search and have not conducted an analysis of any prior art documents.

In this context, we note that on the international application at item 2 above an International Preliminary Report on Patentability issued where all claims are found novel and inventive. While Examiners generally make their own assessment, this is the best possible outcome at that stage keeping in mind that Parazero Patents and Parazero Patent Applications at items 3-6 are based on the international application at item 2.

Further, an International Search Report and Written Opinion issued on the international application at item 8, where all claims except claim 5 are found novel and inventive. Again, Patent Applications at items 10-14 are based on the international application at item 8.

#### Ownership and Assignments

The rights to an invention generally lie with the inventors unless it has been transferred by agreement, such as employment contract or assignment.

We have reviewed the file history of items 1-6 and can see that rights to this invention were assigned as follows:

6 October 2014: Israeli application 229068 (item 1) was assigned from the inventors (Amir Tsaliah and Ran Krauss) to Wisec Ltd. We confirm that we have sighted the corresponding assignment document and it includes an assignment of the right to claim priority, which is important for the European application.

18 May 2015: Israeli application 229068 (item 1) and International application PCT/IL2014/050920 (item 2) were assigned from Wisec Ltd to Parazero Ltd. We have also sighted the corresponding assignment document and it also includes an assignment of the right to claim priority.

We note that subsequent applications of items 3-6 were filed after the second assignment of 8 May 2015 based on the international application at item 2 and under the name of Parazero Ltd., which is common practice.

Based on these assignments, Parazero appears to have proper title of the patents and patent applications at items 1-6.

Israeli application 251342 at item 7 was filed under the name of Parazero and we have sighted the corresponding assignment document from the inventor Amir Tsaliah to Parazero. Again, the assignment document also includes an assignment of the right to claim priority and all rights in patent application in all other countries.

Since items 10-15 ultimately depend from item 7, Parazero appears to have proper title of the patent applications at items 7, 8 and 10-15.

An assignment for item 9 has been filed with the USPTO. We have reviewed this assignment and it appears to properly transfer the rights to Parazero.

#### General Statements about the Status of Patents and Patent Applications

We believe the information provided here to be accurate but caution that the accuracy of such information is, of necessity, subject to the accuracy of the databases accessed.

#### Patent Validity and Infringement of Third Party Rights

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.



This Report is not a 'Freedom to Operate' opinion and FB Rice makes no assertion that the patents and patent applications are valid or enforceable or Parazero IL or Parazero AU has the freedom in any country to exploit the technology referred to in the relevant patent specifications without infringing intellectual property rights of third parties.

Further, it is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention.

FB Rice cannot guarantee that the patents, even if valid, will adequately cover any commercial products commercialised by Parazero IL, Parazero AU, its licensees or sub-licensees, or that the inventions achieve the stated results or advantages.

### Trade Marks

We have queried the official trade marks registers of Australia, the US, New Zealand, Europe, UK, Canada, China, Hong Kong, Japan as well as the WIPO Madrid International Register and TMview Global Brands database and confirm that the following trade mark is registered in the name of Parazero:

US Serial Number	US Registration Number	Mark	Goods	U.S. Classes	Status
87264523	5274914	PARAZERO	Parachutes	019, 021, 023, 031, 035, 044	Registered

Please note the searches have only been conducted for the English word, not transliterations. The searches are for the exact term PARAZERO and, where indicated the combined part words PARA and ZERO across all Nice International Classes except where indicated.

The TMview Global Brands database searches the registers of a number of participating countries: Australia, New Zealand, United Kingdom, United States, European Union, Canada and WIPO International Register, various Eastern European, South American, South East Asian, African and Middle Eastern countries (please note not all countries in these regions).

### Independence

This is an independent report. When considering this Report, it should be noted that:

- a) FB Rice has reviewed the data on record for the Parazero Patents and Parazero Patent Applications and provided this Report accordingly. This service was charged on FB Rice's standard terms and conditions of engagement, being hourly rates for time spent. FB Rice will receive a total of approximately \$2,000 (exclusive of GST) for the services relating to the preparation of this Report and for services in relation to due diligence on the Parazero Patents and the Parazero Patent Applications in connection with the **Share Sale Agreement**.
- b) Neither FB Rice, nor any of its principals or employees that were involved in the review of the Parazero Patents and the Parazero Patent Applications have any entitlement to any shares in Parazero IL or Parazero AU, or has any interest in the promotion of Parazero IL or Parazero AU, and has no financial interest in the outcome of the **Share Sale Agreement**.

FB RICE

Parazero - IP Report  
Our Ref: 21  
24 September 2020

FB Rice have prepared this Report. As noted above, FB Rice will be paid a total of approximately \$2,000 (exclusive of GST) for the services relating to the preparation of this Report and for services in relation to due diligence on the Parazero Patents and the Parazero Patent Applications in connection with the Share Sale Agreement. Payment of this amount is not contingent on the outcome of the offer under the Share Sale Agreement. FB Rice confirms that the Report has been prepared by Manuel Schmidt, Senior Associate, who is not associated with Parazero IL or Parazero AU and has no financial interest in the outcome of the offer under the **Share Sale Agreement**.

Yours sincerely  
FB Rice

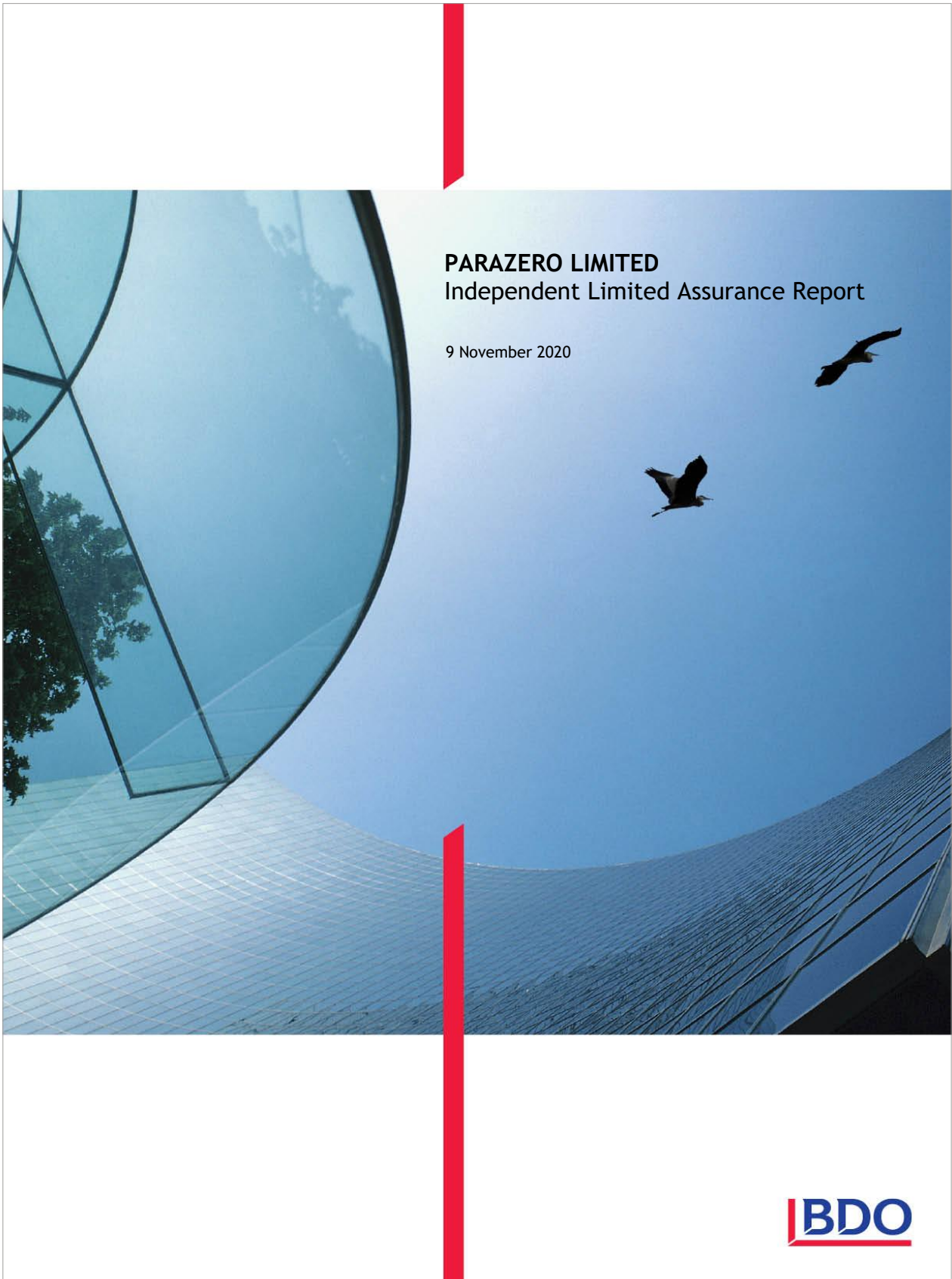


Manuel Schmidt  
Senior Associate  
mschmidt@fbrice.com.au



THROUGH THE COVID-19 PANDEMIC, DDSA HAS SHOWN **RESILIENCE** DUE TO ITS **LONG-TERM CONTRACTS** AND THE **ESSENTIAL** NATURE OF ITS SOLUTIONS FOR THE OPERATIONAL **MINING** ENVIRONMENT





**PARAZERO LIMITED**  
Independent Limited Assurance Report

9 November 2020







Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

9 November 2020

The Directors

ParaZero Limited  
Level 2  
46-50 Kings Park Road  
WEST PERTH WA 6005

Dear Directors

## INDEPENDENT LIMITED ASSURANCE REPORT

### 1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by ParaZero Limited ('ParaZero' or 'the Company') to prepare this Independent Limited Assurance Report ('Report') in relation to certain financial information of ParaZero, for the offering of shares in ParaZero, and for the acquisition of Delta Drone South Africa Pty Ltd ('DDSA') for inclusion in the Prospectus. Broadly, the Prospectus will offer up to 125 million Shares at an issue price of \$0.04 each to raise up to \$5 million before costs ('the Offer'). The Offer is subject to a minimum subscription level of 87.5 million shares to raise \$3.5 million before costs.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158) and our Financial Services Guide ('FSG') has been included in this report in the event you are a retail investor. Our FSG provides you with information on how to contact us, our services, remuneration, associations, and relationships.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared. Figures contained within the Report are in US\$ unless stated otherwise.

### 2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) of ParaZero and DDSA included in the Prospectus:

- the audited historical Statements of Profit or Loss and Other Comprehensive Income and cash flows for the years ended 31 December 2018 and 2019;
- the reviewed historical Statements of Profit or Loss and Other Comprehensive Income and cash flows for the half years ended 30 June 2020 and 2019; and
- the reviewed historical Statement of Financial Position as at 30 June 2020.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards ('IFRS') and the company's adopted accounting policies.

The Historical Financial Information has been extracted from:

- the financial report of ParaZero for the years ended 31 December 2020 and 2019, which was audited by BDO Audit (WA) Pty Ltd and the half years ended 30 June 2020 and 2019 which was reviewed in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions and an unmodified review opinion on the financial reports. BDO Audit (WA) Pty Ltd noted an Emphasis of Matter in respect to going concern; and
- the financial report of DDSA for the years ended 31 December 2020 and 2019, which was audited by BDO South Africa Incorporated and the half years ended 30 June 2020 and 2019 which was reviewed in accordance with the International Standards on Auditing. BDO South Africa Incorporated issued unmodified audit opinions and an unmodified review opinion on the financial reports.

#### *Pro Forma Historical Financial Information*

You have requested BDO to review the following pro forma historical financial information (the **'Pro Forma Historical Financial Information'**) of ParaZero included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 30 June 2020.

The Pro Forma Historical Financial Information has been derived from the historical financial information of ParaZero, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by ParaZero to illustrate the impact of the event(s) or transaction(s) described in Section 6 and Section 7 of the Report on ParaZero's financial position as at 30 June 2020. As part of this process, information about

ParaZero and DDSA's financial position has been extracted by ParaZero from ParaZero's and DDSA's financial statements for the year ended 30 June 2020.

### 3. Directors' responsibility

The directors of ParaZero are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

### 4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

### 5. Conclusion

#### *Historical Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of ParaZero and DDSA, as described in the Appendices to this Report, and comprising:

- the audited historical Statements of Profit or Loss and Other Comprehensive Income and cash flows for the years ended 31 December 2018 and 2019;
- the reviewed historical Statements of Profit or Loss and Other Comprehensive Income and cash flows for the half years ended 30 June 2020 and 2019; and
- the reviewed historical Statement of Financial Position as at 30 June 2020.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

#### *Pro Forma Historical Financial information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of ParaZero as at 30 June 2020, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

## 6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 30 June 2020:

- The acquisition of DDSA per the SPA via the issue of 203,512,750 shares;
- The conversion of convertible notes on issue as at 30 June 2020 with a value of US\$581,621 into 11,806,672 shares;
- Subsequent to year end loan funding has been received which will be repaid on listing, this results in no change to the Pro-forma and the interest component is not material;
- The issue of 6 million shares to Cuklerman & Co Investment House ('CIH') for facilitating the acquisition;
- The issue of 27,205,882 shares in consideration for the conversion of convertible notes issued post 30 June 2020 for which funds of \$551,283 were received

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of ParaZero not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## 7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 30 June 2020, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The conversion of Australian Dollars to US Dollars at an exchange rate of \$0.689104
- The issue of 87.5 million Shares at an offer price of \$0.04 each to raise \$3.5 million before costs pursuant to the Prospectus, based on the minimum subscription; and
- Costs of the Offer under the minimum raise are estimated to be \$324,087 which are to be offset against the contributed equity and listing expenses recognised in the accumulated losses of \$494,285
- The issue of 125 million Shares at an offer price of \$0.04 each to raise \$5 million before costs pursuant to the Prospectus, based on the maximum subscription; and
- Costs of the Offer under the maximum raise are estimated to be \$454,155 which are to be offset against the contributed equity and listing expenses recognised in the accumulated losses of \$463,451.

## 8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO is the auditor of

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ParaZero and was appointed to audit DDSA from time to time, BDO also provides ParaZero with certain other professional services for which normal professional fees are received.

## 9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

**BDO Corporate Finance (WA) Pty Ltd**



**Adam Myers**

Director

## APPENDIX 1

### PARAZERO LIMITED

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed for the	Reviewed for the	Audited for the	Audited for the
	half year ended	half year ended	year ended	year ended
	30-Jun-20	30-Jun-19	31-Dec-19	31-Dec-18
	US\$	US\$	US\$	US\$
Revenue and other income	337,267	675,977	1,583,543	662,046
Cost of sales	(146,772)	(669,336)	(1,307,108)	(435,567)
Credit from suppliers	87,420	-	-	-
<b>Gross profit</b>	<b>277,915</b>	<b>6,641</b>	<b>276,435</b>	<b>226,479</b>
Research and development expenses	(337,317)	(182,154)	(389,996)	(1,495,148)
Sales and marketing expenses	(94,069)	(350,227)	(1,127,669)	(1,099,133)
General and administration expenses	(434,970)	(718,945)	(639,695)	(774,040)
Depreciation expenses	(8,445)	(8,568)	(17,201)	(14,774)
Share based payments	-	-	-	(1,368,058)
<b>Loss before finance expenses</b>	<b>(596,886)</b>	<b>(1,253,253)</b>	<b>(1,898,126)</b>	<b>(4,524,674)</b>
Finance expenses	(20,678)	(84,520)	(94,516)	(14,390)
<b>Loss before income tax expenses</b>	<b>(617,564)</b>	<b>(1,337,773)</b>	<b>(1,992,642)</b>	<b>(4,539,064)</b>
Income tax expense	-	-	-	-
<b>Profit (loss) for the year</b>	<b>(617,564)</b>	<b>(1,337,773)</b>	<b>(1,992,642)</b>	<b>(4,539,064)</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences, net of tax	(33,898)	2,812	908	(186,679)
<b>Other comprehensive loss for the year net of taxation</b>	<b>(33,898)</b>	<b>2,812</b>	<b>908</b>	<b>(186,679)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>(651,462)</b>	<b>(1,334,961)</b>	<b>(1,991,734)</b>	<b>(4,725,743)</b>
<b>Loss attributable to</b>				
Owners of Parazero Limited	(617,564)	(1,337,773)	(1,992,642)	(4,539,064)
Non-controlling interest	-	-	-	-
	<b>(617,564)</b>	<b>(1,337,773)</b>	<b>(1,992,642)</b>	<b>(4,539,064)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of Parazero Limited	(651,462)	(1,334,961)	(1,991,734)	(4,725,743)
Non-controlling interest	-	-	-	-
	<b>(651,462)</b>	<b>(1,334,961)</b>	<b>(1,991,734)</b>	<b>(4,725,743)</b>

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the Cash flows set out in Appendix 4. Past performance is not a guide to future performance.

DDSA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed for the half year ended 30-Jun-20 ZAR	Reviewed for the half year ended 30-Jun-19 ZAR	Audited for the year ended 31-Dec-19 ZAR	Audited for the year ended 31-Dec-18 ZAR
Revenue	17,659,409	18,336,552	35,350,491	28,139,936
Cost of sales	(7,539,856)	(7,862,622)	(15,363,756)	(13,806,800)
<b>Gross profit</b>	<b>10,119,553</b>	<b>10,473,930</b>	<b>19,986,735</b>	<b>14,333,136</b>
Other income	768,976	251,189	1,412,861	191,454
Operating expenses	(8,489,373)	(8,959,207)	(19,835,714)	(18,801,816)
<b>Operating profit (loss)</b>	<b>2,399,156</b>	<b>1,765,912</b>	<b>1,563,882</b>	<b>(4,277,226)</b>
Investment revenue	180,205	123,002	373,607	31,819
Finance costs	(73,851)	(83,177)	(157,215)	(163,529)
<b>Profit (loss) before Taxation</b>	<b>2,505,510</b>	<b>1,805,737</b>	<b>1,780,274</b>	<b>(4,408,936)</b>
Taxation	(703,001)	(518,351)	(199,987)	635,199
<b>Profit (loss) for the year</b>	<b>1,802,509</b>	<b>1,287,386</b>	<b>1,580,287</b>	<b>(3,773,737)</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Exchange gains (losses) on translation foreign operations	220,363	(246,193)	(132,006)	(92,429)
<b>Other comprehensive loss for the year net of taxation</b>	<b>220,363</b>	<b>(246,193)</b>	<b>(132,006)</b>	<b>(92,429)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>2,022,872</b>	<b>1,041,193</b>	<b>1,448,281</b>	<b>(3,866,166)</b>
<b>Profit (loss) attributable to:</b>				
Owners of Delta Drone South Africa (Pty) Ltd and its subsidiaries	1,122,739	815,991	1,287,776	(3,975,395)
Non-controlling interest	679,770	471,395	292,511	201,658
<b>Total comprehensive loss attributable to:</b>				
Owners of Delta Drone South Africa (Pty) Ltd and its subsidiaries	1,343,102	569,798	1,155,770	(4,067,824)
Non-controlling interest	679,770	471,395	292,511	201,658

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the Cash flows set out in Appendix 4. Past performance is not a guide to future performance.

**APPENDIX 2**  
**PARAZERO LIMITED**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**MINIMUM RAISE**

		Parazero	DDSA	Subsequent	Pro-forma	Pro-forma
		Reviewed as at	Reviewed as at	events	adjustments	after issue
	Note	30-Jun-20	30-Jun-20	events	adjustments	after issue
		US\$	US\$	US\$	US\$	US\$
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	2	122,534	565,975	551,283	1,847,231	3,087,023
Trade and other receivables		123,335	288,815	-	-	412,150
Current tax receivable		-	25,959	-	-	25,959
Inventory		699,649	27,426	-	-	727,075
<b>TOTAL CURRENT ASSETS</b>		<b>945,518</b>	<b>908,175</b>	<b>551,283</b>	<b>1,847,231</b>	<b>4,252,207</b>
<b>NON CURRENT ASSETS</b>						
Property plant & equipment		69,838	255,364	-	-	325,202
Goodwill	3	-	378,499	3,925,000	-	4,303,499
Intangible assets		-	35,485	-	-	35,485
Right of use assets		-	91,832	-	-	91,832
Deferred tax		-	36,672	-	-	36,672
<b>TOTAL NON CURRENT ASSETS</b>		<b>69,838</b>	<b>797,852</b>	<b>3,925,000</b>	<b>-</b>	<b>4,792,690</b>
<b>TOTAL ASSETS</b>		<b>1,015,356</b>	<b>1,706,027</b>	<b>4,476,283</b>	<b>1,847,231</b>	<b>9,044,897</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables		239,337	20,856	-	-	260,193
Loans from Group Companies	4	-	1,800,898	(1,800,898)	-	-
Borrowings		26,312	-	-	-	26,312
Other financial liability		82,269	-	-	-	82,269
Current tax payable		-	1,125	-	-	1,125
Lease liabilities		-	38,792	-	-	38,792
Convertible notes	5	581,621	-	(581,621)	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>929,539</b>	<b>1,861,671</b>	<b>(2,382,519)</b>	<b>-</b>	<b>408,691</b>
<b>NON CURRENT LIABILITIES</b>						
Other financial liability		177,136	-	-	-	177,136
Deferred tax		-	9,936	-	-	9,936
Lease liabilities		-	67,069	-	-	67,069
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>177,136</b>	<b>77,005</b>	<b>-</b>	<b>-</b>	<b>254,141</b>
<b>TOTAL LIABILITIES</b>		<b>1,106,675</b>	<b>1,938,676</b>	<b>(2,382,519)</b>	<b>-</b>	<b>662,832</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(91,319)</b>	<b>(232,649)</b>	<b>6,858,802</b>	<b>1,847,231</b>	<b>8,382,065</b>
<b>EQUITY</b>						
Issued Capital	6	10,681,414	671,786	(5,549,444)	2,187,845	7,991,601
Share based payments reserve	7	1,988,085	-	(1,988,085)	-	-
Predecessor accounting	8	(188,690)	(560,994)	188,690	-	(560,994)
Foreign exchange reserves	9	(219,669)	5,036	219,669	-	5,036
Accumulated losses	10	(12,352,459)	(391,910)	13,987,972	(340,614)	902,989
<b>TOTAL</b>		<b>(91,319)</b>	<b>(276,082)</b>	<b>6,858,802</b>	<b>1,847,231</b>	<b>8,338,632</b>
Non controlling interest		-	43,433	-	-	43,433
<b>TOTAL EQUITY</b>		<b>(91,319)</b>	<b>(232,649)</b>	<b>6,858,802</b>	<b>1,847,231</b>	<b>8,382,065</b>



### MAXIMUM RAISE

		Parazero	DDSA			
	Note	Reviewed as at 30-Jun-20 US\$	Reviewed as at 30-Jun-20 US\$	Subsequent events US\$	Pro-forma adjustments US\$	Pro-forma after issue US\$
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	2	122,534	565,975	551,283	2,813,193	4,052,985
Trade and other receivables		123,335	288,815	-	-	412,150
Current tax receivable		-	25,959	-	-	25,959
Inventory		699,649	27,426	-	-	727,075
<b>TOTAL CURRENT ASSETS</b>		<b>945,518</b>	<b>908,175</b>	<b>551,283</b>	<b>2,813,193</b>	<b>5,218,169</b>
<b>NON CURRENT ASSETS</b>						
Property plant & equipment		69,838	255,364	-	-	325,202
Goodwill	3	-	378,499	3,925,000	-	4,303,499
Intangible assets		-	35,485	-	-	35,485
Right of use assets		-	91,832	-	-	91,832
Deferred tax		-	36,672	-	-	36,672
<b>TOTAL NON CURRENT ASSETS</b>		<b>69,838</b>	<b>797,852</b>	<b>3,925,000</b>	<b>-</b>	<b>4,792,690</b>
<b>TOTAL ASSETS</b>		<b>1,015,356</b>	<b>1,706,027</b>	<b>4,476,283</b>	<b>2,813,193</b>	<b>10,010,859</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables		239,337	20,856	-	-	260,193
Loans from Group Companies	4	-	1,800,898	(1,800,898)	-	-
Borrowings		26,312	-	-	-	26,312
Other financial liability		82,269	-	-	-	82,269
Current tax payable		-	1,125	-	-	1,125
Lease liabilities		-	38,792	-	-	38,792
Convertible notes	5	581,621	-	(581,621)	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>929,539</b>	<b>1,861,671</b>	<b>(2,382,519)</b>	<b>-</b>	<b>408,691</b>
<b>NON CURRENT LIABILITIES</b>						
Other financial liability		177,136	-	-	-	177,136
Deferred tax		-	9,936	-	-	9,936
Lease liabilities		-	67,069	-	-	67,069
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>177,136</b>	<b>77,005</b>	<b>-</b>	<b>-</b>	<b>254,141</b>
<b>TOTAL LIABILITIES</b>		<b>1,106,675</b>	<b>1,938,676</b>	<b>(2,382,519)</b>	<b>-</b>	<b>662,832</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(91,319)</b>	<b>(232,649)</b>	<b>6,858,802</b>	<b>2,813,193</b>	<b>9,348,027</b>
<b>EQUITY</b>						
Issued Capital	6	10,681,414	671,786	(5,549,444)	3,132,559	8,936,315
Share based payments reserve	7	1,988,085	-	(1,988,085)	-	-
Predecessor accounting	8	(188,690)	(560,994)	188,690	-	(560,994)
Foreign exchange reserves	9	(219,669)	5,036	219,669	-	5,036
Accumulated losses	10	(12,352,459)	(391,910)	13,987,972	(319,366)	924,237
<b>TOTAL</b>		<b>(91,319)</b>	<b>(276,082)</b>	<b>6,858,802</b>	<b>2,813,193</b>	<b>9,304,594</b>
Non controlling interest		-	43,433	-	-	43,433
<b>TOTAL EQUITY</b>		<b>(91,319)</b>	<b>(232,649)</b>	<b>6,858,802</b>	<b>2,813,193</b>	<b>9,348,027</b>

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4.

## APPENDIX 3

### PARAZERO LIMITED

#### NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

##### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

###### a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of International Financial Reporting Standards ('IFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

These consolidated financial statements cover ParaZero Limited (Company) and its controlled entities as a consolidated entity (also referred to as Group). ParaZero Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

###### b) Basis of Measurement and Reporting Conventions Including Capital Re-organisation

The Historical Financial Information, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the Historical Financial Information have been rounded off to the nearest dollar unless stated otherwise.

On 13 June 2018, ParaZero Limited ('PRZ') completed a transaction with the shareholders of ParaZero Ltd ('ParaZero Israel') to acquire 100% of the share capital of ParaZero Israel in exchange for 51,580,391 shares. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as PRZ was established for the sole purpose of facilitating the listing process and to acquire ParaZero Israel by way of an equity swap. The shareholders of ParaZero Israel received the same proportion of equity instruments in PRZ.

###### c) Going Concern

These Historical Financial Information has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The World Health Organisation announced that the coronavirus disease (COVID-19) (formerly known as Novel Coronavirus) had become a pandemic on 11 March 2020. The Group has developed a policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage. The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such, the Group is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations in the 2020 financial year.

The ability of the Group to continue as a going concern is dependent on securing additional funding through either equity, debt or receipts from product sales, or a combination of all, to continue to fund its operational and technology development activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe the Group will continue as a going concern, after consideration of the following factors:

- the directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- the Group has recently been successful in raising equity and is planning to raise further funds.
- The Group has recently commenced the process of reducing expenses, notably employees and management related expenses. A new office lease agreement was also signed with significant costs reduction. A revision of all research and development expenses was done to ensure the Group is able to meet its product development requirements while keeping a tight budget; and
- the directors have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity or debts raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

The Directors plan to continue the Group's operations on the basis as outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve (12) months from the date of this report.

#### **d) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investments retained;
- Recognises any surplus or deficit in profit and loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

•  
**e) Income Tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.



Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **f) Leases**

##### **The Group as a lessee**

At inception of a contract, the Group assesses if the contract contains characteristics of a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on the index of the rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise its options;
- lease payments under extension profits, if the lessee is reasonably certain to exercise its options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

#### **g) Financial Instruments**

##### **Initial recognition and measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### **Classification and subsequent measurement**

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

##### **(ii) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### **Derivative instruments**

The Group does not trade or hold derivatives.

#### **Financial guarantees**

The Group has no material financial guarantees.

#### **Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### **h) Impairment of non-financial assets**

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

**j) Trade receivables**

Trade receivables, which generally have 0-60-day terms, are recognised and carried at original invoice amount. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision will be recognised when there is objective evidence that Company will not be able to collect the receivable. Bad debts will be written off when identified.

**k) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average principle and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**l) Revenue recognition**

Revenue is recognised based on the five-step model outlined in *AASB 15 Revenue from Contracts with Customers*.

The Group derives its revenue from:

- the sale of safety systems for drones; and
- projects for OEM.

***Revenue from sale of safety systems for drones***

The Group manufactures and sells safety systems for drones. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been trucked to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

***Revenue from projects for OEM***

Revenue from projects is recognised according to milestones set for each project. Once a milestone is met, an invoice is issued to that same date and revenue is recognised.

**m) Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

**n) Depreciation**

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computers - 3 years
- Furniture and equipment - 3-17 years
- Leasehold improvements - the shorter of the lease term and the useful life

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**o) Goods and Services Tax (GST)/Value Added Tax (VAT)**

Revenues, expenses, and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Tax Office (ATO)/Israeli Tax Authority.

Receivable and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of the GST/VAT recoverable from, or payable to, the ATO/Israeli Tax Authority is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

**p) Employee Benefits**

**Post-employment benefits**

The liability for severance pay is in accordance with obligations under Israeli employment law (Section 14 of the Severance Compensation Act 1963). All Israeli based employees are included under Section 14 and are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies or pension funds. Under Israeli employment law, payments in accordance with Section 14 release the Company from any future severance payments. The funds are made available to the employee at the time the employer-employee relationship is terminated, regardless of the cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the statement of financial position as the severance pay risks have been irrevocably transferred to the insurance companies or severance funds.

**Short term employee benefits**



Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

**q) Equity-settled compensation**

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a Black Scholes or Monte Carlo simulation model depending on the type of share-based payment.

**r) Trade and other payables**

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

**s) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**t) Equity and reserves**

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.

**u) Foreign currency transactions and balances**

**Functional and presentation currency**

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars which is the subsidiary's functional currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed of.

### **v) Share-based payments**

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### **w) Predecessor Accounting**

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method;

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on the acquisition; and
- the carrying value of net assets or liabilities acquired is recorded as a separate element of equity.

### **x) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### **Key Estimates and judgements**

#### *Share based payments*

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

The probability of achieving non market-based vesting conditions of performance options is assessed at each reporting period.

#### *Fair value of long-term liabilities*

The Group measured its liability on governmental grant received, each period, based on discounted cash flows derived from the Group's anticipated revenues. The grant is repayable upon the Group commencing product commercialisation and generating revenue from sale of product, with repayments being based on 3% of each dollar of revenue. As required by AASB 9 *Financial Instruments*, the liability has been recognised at fair value on initial recognition and subject to management's estimate of discount rate and the timing and quantity of future revenues.

*Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

**NOTE 1.1: COMMON CONTROL ENTITY**

**Summary of Acquisition**

On 21 April 2017, ParaZero Limited (the acquirer) was incorporated in Australia primarily for the purpose of investigating opportunities to invest in technology companies and to acquire ParaZero Ltd Israel.

On 13 June 2018, the Company completed a transaction with the shareholders of ParaZero Ltd Israel under common control to acquire 100% of the share capital in ParaZero Ltd in exchange for 51,580,391 ordinary shares in the Company.

Refer to Notes 1(b) Basis of measurement and reporting conventions, including capital reorganisation and 1(w) Predecessor accounting for further information.

As at the date of acquisition (13 June 2018), the assets and liabilities of the Company were as follows:

	US\$
<b>a) Assets and Liabilities at Acquisition Date</b>	
Cash and cash equivalents	15,441
Other current assets	16,995
Intercompany loan receivable	938,450
Trade and other payables	(95,746)
Convertible notes	(1,063,830)
Net liabilities of ParaZero Limited at acquisition date	<u>(188,690)</u>
<b>b) Predecessor Accounting Reserve</b>	
Net liabilities of ParaZero Limited at acquisition date	(188,690)
Predecessor Accounting Reserve	<u>(188,690)</u>

	Reviewed 30-Jun-20 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 2. CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	122,534	3,087,023	4,052,985
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		122,534	122,534
<i>Subsequent events:</i>			
Acquisition of DDSA		565,975	565,975
		565,975	565,975
<i>Pro-forma adjustments:</i>			
Issue of Convertible notes post 30 June 2020		551,283	551,283
Proceeds from shares issued under this Prospectus		2,411,864	3,445,519
Capital raising costs		(564,633)	(632,326)
		2,398,514	3,364,476
Pro-forma Balance		3,087,023	4,052,985

	Reviewed 30-Jun-20 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 3. GOODWILL</b>			
Goodwill	-	4,303,499	4,303,499
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		-	-
<i>Subsequent events:</i>			
Acquisition of DDSA - existing Goodwill		378,499	378,499
		378,499	378,499
<i>Pro-forma adjustments:</i>			
Goodwill recognised upon acquisition of ParaZero by DDSA		3,925,000	3,925,000
		3,925,000	3,925,000
Pro-forma Balance		4,303,499	4,303,499

Refer to Note 11 for details of the acquisition accounting



	Reviewed	Pro-forma	Pro-forma
		after Offer	after Offer
	30-Jun-20	Minimum	Maximum
NOTE 4. LOANS FROM GROUP COMPANIES	\$	\$	\$
Loans from Group Companies	-	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		-	-
<i>Subsequent events:</i>			
Acquisition of DDSA		1,800,898	1,800,898
		1,800,898	1,800,898
<i>Pro-forma adjustments:</i>			
Elimination of debt upon acquisition per the SPA		(1,800,898)	(1,800,898)
		(1,800,898)	(1,800,898)
Pro-forma Balance		-	-

	Reviewed	Pro-forma	Pro-forma
		after Offer	after Offer
	30-Jun-20	Minimum	Maximum
NOTE 5. CONVERTIBLE NOTES	\$	\$	\$
Convertible notes	581,621	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		581,621	581,621
<i>Subsequent events:</i>			
Convertible notes issued post 30 June 2020		551,283	551,283
Conversion of convertible notes		(1,132,904)	(1,132,904)
		(581,621)	(581,621)
Pro-forma Balance		-	-

		Reviewed 30-Jun-20	Pro-forma after Offer	Pro-forma after Offer
<b>NOTE 6. CONTRIBUTED EQUITY</b>		\$	\$	\$
Contributed equity		10,681,414	7,991,601	8,936,315
<i>Adjustments to arise at the pro-forma balance:</i>				
	<b>Number of shares min</b>	<b>Number of shares max</b>	<b>\$</b>	<b>\$</b>
Reviewed balance of ParaZero at 30 June 2020	127,275,427	127,275,427	10,681,414	10,681,414
<i>Subsequent events:</i>				
<i>DDSA reviewed balance at 30 June 2020</i>		-	-	671,786
Conversion of convertible notes on issue at 30 June	11,806,672	11,806,672	581,621	581,621
Issue of shares to acquire DDSA	203,512,750	203,512,750	3,833,681	3,833,681
Issue of CIH Broker Shares	6,000,000	6,000,000	165,385	165,385
Issue and conversion of convertible notes post 30 June 2020	27,205,882	27,205,882	551,283	551,283
Elimination of Parazero share capital upon acquisition	-	-	(10,681,414)	(10,681,414)
<i>Pro-forma adjustments:</i>				
Proceeds from shares issued under this Prospectus	87,500,000	125,000,000	2,411,864	3,445,519
Capital raising costs	-	-	(224,019)	(312,960)
	336,025,304	373,525,304	(2,689,813)	(1,745,099)
Pro-forma Balance	463,300,731	500,800,731	7,991,601	8,936,315

	Reviewed 30-Jun-20	Pro-forma after Offer	Pro-forma after Offer
<b>NOTE 7. SHARE BASED PAYMENTS RESERVE</b>		\$	\$
Share based payments reserve	1,988,085	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		1,988,085	1,988,085
<i>Subsequent events:</i>			
Elimination of share based payment reserve upon acquisition		(1,988,085)	(1,988,085)
		(1,988,085)	(1,988,085)
Pro-forma Balance		-	-

	Reviewed 30-Jun-20 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 8. PREDECESSOR ACCOUNTING RESERVE</b>			
Predecessor accounting reserve	(188,690)	(560,994)	(560,994)
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		(188,690)	(188,690)
<i>Subsequent events:</i>			
DDSA Predecessor accounting reserve		(560,994)	(560,994)
Elimination of Parazero balance upon acquisition		188,690	188,690
		(372,304)	(372,304)
Pro-forma Balance		(560,994)	(560,994)

	Reviewed 30-Jun-20 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 9. FOREIGN EXCHANGE RESERVES</b>			
Foreign exchange reserves	(219,669)	5,036	5,036
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		(219,669)	(219,669)
<i>Subsequent events:</i>			
DDSA foreign exchange reserve		5,036	5,036
Elimination of Parazero balance upon acquisition		219,669	219,669
		224,705	224,705
Pro-forma Balance		5,036	5,036

	Reviewed 30-Jun-20 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 10. ACCUMULATED LOSSES</b>			
Accumulated losses	(12,352,459)	902,989	924,237
<i>Adjustments to arise at the pro-forma balance:</i>			
Reviewed balance of ParaZero at 30 June 2020		(12,352,459)	(12,352,459)
<i>Subsequent events:</i>			
DDSA accumulated losses		(391,910)	(391,910)
Conversion of convertible notes		1,800,898	1,800,898
Issue of CIH Broker Shares		(165,385)	(165,385)
Elimination of Parazero balance upon acquisition		12,352,459	12,352,459
		13,596,062	13,596,062
<i>Pro-forma adjustments:</i>			
Listing expenses		(340,614)	(319,366)
		(340,614)	(319,366)
Pro-forma Balance		902,989	924,237

#### NOTE 11: BUSINESS COMBINATION

A summary of the acquisition details with respect to the proposed acquisition of DDSA as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 30 June 2020, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

Details of the net assets acquired, purchase consideration and goodwill are as follows:

Under AASB 3 Business Combinations DDSA is considered to be the accounting parent, accordingly with DDSA being deemed to acquire ParaZero due to the level of shareholding acquired under the SPA. The purchase consideration is determined by reference to the number of shares that DDSA would have to issue to ParaZero for Parazero to hold 40.6% of the group. This was calculated to be \$3,883,681 USD based on an underlying Parazero share price of \$0.04. The Performance Shares issued have been treated as contingent consideration.

The net assets of Parazero at 30 June were \$91,319 resulting in goodwill of \$3,925,000 being recognised. The pre-acquisition equity, reserve and accumulated losses of ParaZero are eliminated on consolidation.

#### NOTE 12: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

#### NOTE 12: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.



**APPENDIX 4**  
**PARAZERO LIMITED**  
**CONSOLIDATED HISTORICAL CASH FLOWS**

Historical Statement of Cash Flows	Reviewed for the	Reviewed for the	Audited for the	Audited for the
	half year ended	half year ended	year ended	year ended
	30-Jun-20	30-Jun-19	31-Dec-19	31-Dec-18
	US\$	US\$	US\$	US\$
<b>Cash flows from operating activities:</b>				
Receipts from customers	358,819	563,415	1,445,879	514,493
Payments to suppliers and employees	(928,421)	(2,372,206)	(3,914,643)	(4,346,952)
Interest received	18	363	408	1,122
Interest paid	-	-	(15,143)	(6,635)
<b>Net cash flows provide by/(used in) operating activities</b>	<b>(569,584)</b>	<b>(1,808,428)</b>	<b>(2,483,499)</b>	<b>(3,837,972)</b>
<b>Cash flows from investing activities:</b>				
Acquisition of property plant and equipment	-	(1,369)	(1,370)	(27,534)
Cash held by the Company at acquisition date		-	-	15,441
<b>Net cash flows provide by/(used in) investing activities</b>	<b>-</b>	<b>(1,369)</b>	<b>(1,370)</b>	<b>(12,093)</b>
<b>Cash flows from financing activities:</b>				
Proceeds of from equity instruments of the Company	-	1,699,359	2,053,488	3,391,193
Repayment of borrowings	-	(29,551)	(55,738)	(59,122)
Proceeds from convertible notes	547,618	-	-	1,263,830
Proceeds from borrowings	28,916	-	-	-
Change in bank overdraft	(90,248)	-	90,248	(36,754)
Receipts from Israel Innovation authority	-	98,313	98,313	101,189
Share issue costs	-	(62,459)	-	-
<b>Net cash flows provide by/(used in) financing activities</b>	<b>486,286</b>	<b>1,705,662</b>	<b>2,186,311</b>	<b>4,660,336</b>
(Decrease)/increase in cash and cash equivalents	(83,298)	(104,135)	(298,558)	810,271
Cash and cash equivalents at the beginning of the period	207,758	584,782	584,782	53,983
Impact of movement in foreign exchange rates	(1,926)	2,812	(78,466)	(279,472)
<b>Cash and cash equivalents at the end of the period</b>	<b>122,534</b>	<b>483,459</b>	<b>207,758</b>	<b>584,782</b>

**DDSA**  
**CONSOLIDATED HISTORICAL CASH FLOWS**

Historical Statement of Cash Flows	Reviewed for the	Reviewed for the	Audited for the	Audited for the
	half year ended	half year ended	year ended	year ended
	30-Jun-20	30-Jun-19	31-Dec-19	31-Dec-18
	ZAR	ZAR	ZAR	ZAR
<b>Cash flows from operating activities:</b>				
Cash generated from (used in) operations	4,718,319	7,125,009	9,615,975	(3,308,759)
Interest received	180,205	123,002	373,607	31,819
Interest paid	(73,851)	(83,177)	(157,217)	(163,529)
Tax paid	(418,731)	(728,764)	(539,455)	(508,403)
<b>Net cash flows provide by/(used in) operating activities</b>	<b>4,405,942</b>	<b>6,436,070</b>	<b>9,292,910</b>	<b>(3,948,872)</b>
<b>Cash flows from investing activities:</b>				
Acquisition of property plant and equipment	(880,550)	(1,353,525)	(3,128,387)	(7,193,498)
Sales of property, plant and equipment	106,108	59,425	502,871	-
Acquisition of businesses	-	20,419	20,419	-
<b>Net cash flows provide by/(used in) investing activities</b>	<b>(774,442)</b>	<b>(1,273,681)</b>	<b>(2,605,097)</b>	<b>(7,193,498)</b>
<b>Cash flows from financing activities:</b>				
Loans (repaid to)/advanced from group companies	(1,752,508)	(58,180)	(2,432,291)	13,339,951
<b>Net cash flows provide by/(used in) financing activities</b>	<b>(1,752,508)</b>	<b>(58,180)</b>	<b>(2,432,291)</b>	<b>13,339,951</b>
(Decrease)/increase in cash and cash equivalents	1,878,992	5,104,209	4,255,522	2,197,581
Cash and cash equivalents at the beginning of the period	7,709,569	3,586,051	3,586,051	1,480,899
Impact of movement in foreign exchange rates	220,363	(246,193)	(132,006)	(92,429)
<b>Cash and cash equivalents at the end of the period</b>	<b>9,808,924</b>	<b>8,444,067</b>	<b>7,709,567</b>	<b>3,586,051</b>

## APPENDIX 5 FINANCIAL SERVICES GUIDE

27 October 2020

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by ParaZero ('the Company') to provide an Independent Limited Assurance Report ('ILAR' 'our Report/s') for inclusion in this Prospectus.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our Report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide an ILAR in connection with the financial product of another entity. Our Report indicates who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our Report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

### Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this Report. These fees are negotiated and agreed with the client who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$20,000 (exclusive of GST). BDO South Africa has been paid \$40,000 for the audit of DDSA.

BDO Audit (WA) Pty Ltd received \$28,184 USD for Auditing and reviewing financial reports in 2019 and \$26,176 USD during 2018. \$15,322 AUD was charged in respect of the 30 June 2020 half year.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from ParaZero for our professional services in providing this Report. That fee is not linked in any way with our opinion as expressed in this Report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution**

*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, 38 Station Street, Subiaco, Perth WA 6008.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website [www.afca.org.au](http://www.afca.org.au) or by contacting it directly via the details set out below:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)

**Contact details**

You may contact us using the details set out on page 1 of our Report.





THE COMPANY BELIEVES THAT PARAZERO ISRAEL'S POTENTIAL TO **ENABLE** REGULAR **COMMERCIAL DRONE OPERATIONS** IN **URBAN** AND POPULATED AREAS WILL FACILITATE **NEW BUSINESS OPPORTUNITIES** AND CREATE LONG-TERM **COMPETITIVE ADVANTAGE** FOR THE MERGED GROUP

## 11 KEY PEOPLE, INTERESTS AND BENEFITS

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### 11.1 Board of Directors

On completion of the Proposed Transaction, the Directors of the Company will be as follows:

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#### **Mr Christopher Clark**

**Chief Executive Officer and Executive Director** *(subject to shareholder approval at the EGM)*

Mr Christopher Clark will be the Chief Executive Officer ('CEO') of the Company. Mr Clark has been involved in the mining services sector for over 10 years in South Africa, beginning with technology and communication projects for mining giant Anglo American. Mr Clark is currently the Group Managing Director of DDSA. Mr Clark has spearheaded the development of the DDSA business across Africa, including in Ghana and Namibia, and has set up new business verticals in agriculture and executive training. Mr Clark holds a Bachelor of Accounting from the University of Johannesburg, as well as a Master of Business Administration from the University of Pretoria (Gordons Institute of Business Science).

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#### **B Gen (ret.) Eden Attias**

**Executive Chairperson**

Mr Eden Attias will be Executive Chairperson of the Company and is currently the Managing Director of the Company. Mr Attias has extensive experience and knowledge in the development of the Company's existing products and markets. Prior to joining the Company in 2015, Israel nominated Mr Attias as its first Ministry of Defence attaché to Ottawa, Canada. In this role, Mr Attias spearheaded the defence relationship between the two nations and greatly enhanced cooperation for military and security organisations. Under his command, the office created new trade opportunities for firms and facilitated long lasting international cooperation between the military and defence industries in both countries. Mr Attias has a distinguished military resume, having served in Israel's Air Force ('IAF') as a pilot and as a leader in numerous positions for over 30 years, achieving the rank of Brigadier General. During his tenure, he oversaw the move of the IAF's airlift base in Lod to the Nevatim air base in the Negev. He then commanded the Nevatim airbase from 2008 to 2011. Mr Attias holds a Bachelor of Computer Science and Philosophy from Tel Aviv University and a Master in Public Administration from the University of Haifa.

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#### **Mr Chris Singleton**

**Independent Non-Executive Director**

Mr Chris Singleton is a current independent non-executive Director of the Company. Mr Singleton has extensive international experience in oil and gas, manufacturing, technology, telecommunications and service industries. He is currently the Managing Director of Minaret Capital, a provider of corporate advisory and growth strategies to Australian businesses. Mr Singleton has held numerous directorship roles with public and private companies and has successfully founded and sold businesses including Votel (a service provider acquired by Vodafone), B Digital (funded by Australian Capital Equity and later acquired by Soul Pattinson), Impress Energy (acquired by Beach Petroleum and recruitment solutions) and Total Staffing Solutions and Ultimate Skills (both of which were acquired by Humanis Group).

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#### **Mr Stephen Gorenstein**

**Independent Non-Executive Director**

Mr Stephen Gorenstein is a current independent non-executive Director of the Company. Mr Gorenstein has over 16 years' experience in capital markets including analyst roles at both Goldman Sachs and Merrill Lynch. He was formerly the Regional Head of Asia Pacific Metals and Mining at Bank of America Merrill Lynch. Mr Gorenstein has extensive networks in the Australian capital markets industry and is active in cross border transactions, particularly sourcing high-quality technology companies from Israel looking to establish themselves in Australia. Mr Gorenstein holds a Bachelor (Hons) of Science majoring in Geology and Geophysics from Monash University and a Master in Accounting and Finance from Monash University. Mr Gorenstein is a non-executive director at White Rock Minerals Limited (ASX: WRM), and a director of Jindalee Partners.

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**Mr Dan Arazi****Independent Non-Executive Director**

Mr Dan Arazi is a current independent non-executive Director of the Company. Mr Arazi is a serial entrepreneur and has been involved in a number of start-ups in Israel, particularly in the telecommunications and internet space. He was a leading film producer in Israel and has been a member of the Board of Israeli Film Council. He is currently the Chairman of the Israel AeroClub Gliding Association and the President of the Keiretsu Forum, the Israeli Chapter of the 100+ Angels Club. Mr Arazi is also a co-founder and executive at Orckit Communications (NASDAQ: ORCT).

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The composition of the Board committees, and a summary of its key corporate governance policies, is set out in Section 12.

Each Director has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

**11.1.1 Independence**

The Board considers that Chris Singleton, Stephen Gorenstein and Dan Arazi are free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and are able to fulfil the role of an Independent Director.

The Board has adopted a definition of independence that is based on the definition set out in the ASX Corporate Governance Principles and Recommendations (4th edition) ('**ASX Recommendations**').

**11.1.2 Director disclosures**

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Securities. No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

**11.2 Key management personnel**

On completion of the Proposed Transaction, the senior management team of the Merged Group will be as follows:

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**Mr Christopher Clark****Chief Executive Officer**

*See Section 11.1 for details.*

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**B Gen (ret.) Eden Attias****Executive Chairperson**

*See Section 11.1 for details.*

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**Mr Moshe Hukaylo****Chief Financial Officer**

Mr Moshe Hukaylo is the current Chief Financial Officer of the Company and is expected to remain in this role on completion of the Proposed Transaction. Prior to joining the Company in October 2020, Mr Hukaylo worked in finance and audit with Deloitte, and previously served as a Finance Director of Pfizer Pharmaceutical Israel where he was responsible for supply chain management and procurement management. Mr Hukaylo currently acts as Chief Financial Officer for various companies, among them public entities active in areas including software and IT services. Mr Hukaylo is a qualified CPA in Israel and holds a BA from Tel Aviv University and a Master of Business Administration (in finance) from the University of Manchester.

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**Mr Boaz Shetzer**  
**General Manager**

Mr. Boaz Shetzer is the current Chief Operations Officer of the Company and will become the General Manager of ParaZero Israel following completion of the Proposed Transaction. Prior to his current role, Mr Shetzer served as Head of Product for the Company. Before joining the Company, Mr Shetzer held the role of VP of Operations at Soluto which was acquired by Asurion Inc. Mr Shetzer has substantial experience in the start-up and technology commercialisation ecosystem. He also serves as a reserve Israeli Air Force Major, where he flies a C-130, the Israeli Air Force tactical transportation plane. Mr Shetzer holds a B.Sc., magna cum laude, in Electrical and Computer Engineering from the Ben-Gurion University, an MBA from the Interdisciplinary Center Herzliya and is an honorary graduate of the Israeli Air Force Flight Academy.

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**Mr Amir Tsaliah**  
**Chief Technology Advisor** (*Advisory board member*)

Mr Amir Tsaliah serves as Chief Technology Advisor of the Company and is expected to remain in this role on completion of the Proposed Transaction. Mr Tsaliah co-founded ParaZero Israel and has over 10 years of experience in designing innovating technologies, including as co-founder of Wisec, a security related company, and Bladeworx, Israel's largest civil unmanned aerial vehicle service provider and the first to gain official approval by the Civil Aviation Authority of Israel. Mr Tsaliah is the owner of a patent in the field of drone safety and holds a Bachelor of Science (Material Engineering) from Ben Gurion University.

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### 11.3 Interests and benefits

This Section 11.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company.



### 11.3.1 Directors' interests and remuneration

#### a) Chief Executive Officer

On completion of the Proposed Transaction, Mr Christopher Clark will be employed in the position of CEO of the Company.

The Company proposes to enter into a new employment agreement with Mr Clark to govern his employment with the Company following completion of the Proposed Transaction.

Until such time, Mr Clark will continue to be employed by DDSA under his existing employment agreement which is governed by South African law. Under that agreement, Mr Clark is entitled to a monthly base salary of 67,536 Rand and monthly allowances for a total of 35,239.60 Rand. In addition to these amounts, DDSA makes contributions for workman's compensation and unemployment insurance benefits. Mr Clark may also benefit from various insurances held by DDSA in the event of his temporary disability, permanent disability or death.

Mr Clark's existing employment agreement may be terminated by either party for any reason on three months' written notice. DDSA may also summarily terminate Mr Clark's employment if he is found guilty of serious misconduct.

#### b) Executive Chairman

On completion of the Proposed Transaction, Mr Eden Attias will be employed in the position of Executive Chairman of the Company.

Mr Attias is currently engaged by ParaZero Israel through his contracting entity, EATC International Ltd ('**Contracting Entity**'), under an Executive Services Agreement ('**ESA**') which is governed by Israeli law.

Under the ESA, Mr Attias' Contracting Entity is entitled to receive a monthly fee equal to \$18,750 (plus VAT) and reimbursement for expenses incurred in the ordinary course of business that have been approved in advance by ParaZero Israel.

The ESA may be terminated by either party for any reason on 90 days' notice or immediately where either party commits a material breach of the agreement, including where Mr Attias personally engages in serious misconduct.

Mr Attias' Contracting Entity is also subject to customary non-compete and non-solicitation restrictions during the term of the ESA and for a period of six months thereafter.

#### c) Non-Executive Directors

Each of the Non-Executive Directors has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director. However, under the Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at the Company's general meeting. This amount has been fixed by the Company at \$300,000 per annum. Any change to that aggregate annual sum must be approved by Shareholders.

As at the date of this Prospectus, the annual directors' fees to be paid to each Non-Executive Director is \$40,000.

No additional fees are presently proposed to be paid for membership or Chairmanship of the Audit and Risk Management Committee or the Remuneration and Nomination Committee.

All directors' fees include superannuation payments, to the extent applicable.

#### d) Deeds of indemnity, insurance and access for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) insured by the Director as an officer of the Company or of a related body corporate.

Under the deeds of indemnity, insurance and access, the Company must maintain a Directors' and Officers' insurance policy insuring a Director (among others) against liability as a director and officer of the Company and its related bodies corporate until seven years after a Director ceases to hold office as a Director or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

#### e) Other remuneration arrangements

Directors may also be reimbursed for reasonable travel and other expenses incurred in or about the performance of their duties as Directors, including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

### 11.3.2 Directors' and Key Management Personnel interests

The Directors are not required under the Constitution to hold any shares in the Company. The Directors do not intend to apply for Shares under the Offer. A summary of the Directors' and Key Management Personnel's (KMP) holdings in Shares and Options both immediately prior to and following Completion is provided below.

Directors	Pre	Post
<b>Christopher Clark</b>	Nil	Nil
	559,717 Shares	559,717 Shares
<b>Eden Attias</b>	5,598,837 Options (expiring 13 June 2023, exercisable at \$0.0027)	5,598,837 Options (expiring 13 June 2023, exercisable at \$0.0027)
	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)
<b>Chris Singleton</b>	200,000 Shares	200,000 Shares
	18,553 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)	18,553 unlisted options (expiring 24 June 2024)
<b>Stephen Gorenstein</b>	400,000 Shares	400,000 Shares
	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)
<b>Dan Arazi</b>	359,000 Shares	359,000 Shares
	25,956 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)	25,956 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)
<b>KMP</b>		
<b>Moshe Hukaylo</b>	Nil	Nil
	3,923,386 Shares	3,923,386 Shares
<b>Amir Tsaliah</b>	788,855 Options (expiring 13 June 2023, exercisable at \$0.0027)	788,855 Options (expiring 13 June 2023, exercisable at \$0.0027)
	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)	37,106 unlisted options (expiring 24 June 2024, exercisable at \$0.1125)

### 11.3.3 Interests of Advisors

The Company has engaged the following professional advisers in relation to the Offer:

- Baker Young has acted as Lead Manager to the Offer. The Company has agreed to pay a Lead Manager Fee of 2% of the gross amount raised, being an amount between \$70,000 (based on the Company raising \$3.5 million from this Offer) and \$125,000 (based on the Company raising \$5 million from this Offer), plus an Advisor Handling Fee of 4% of the gross amount raised under this Prospectus (plus GST), being an amount between \$140,000 (based on the Company raising \$3.5 million from this Offer) and \$200,000 (based on the Company raising \$5 million from this Offer) plus a Success Fee of \$4,000 for these services.
- Nero Capital has acted as corporate adviser to the Company in relation to the Offer. The Company has agreed to pay a monthly retainer of \$5,000 (plus GST) for the duration of Nero Capital's engagement, which commenced in April 2020 and will conclude at the earlier of completion of the Transaction or the date on which the Company terminates the engagement in its discretion by providing written notice to Nero Capital, plus it has agreed to pay a Success Fee of 1% of the gross amount raised under this Prospectus, being an amount between \$35,000 (based on the Company raising \$3.5 million from this Offer) and \$50,000 (based on the Company raising \$5 million from this Offer).
- Arnold Bloch Leibler has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$482,500 (excluding GST) for these services up until the date of this Prospectus. Further amounts may be paid to Arnold Bloch Leibler for other work in accordance with its normal time-based charges.
- BDO Corporate Finance (WA) Pty Ltd have acted as the Investigating Accountant to the Company and have prepared the Investigating Accountant's Report included in this Prospectus in Section 10. The Company has paid or agreed to pay approximately \$60,000 (excluding GST) for these services up to the date of this Prospectus. Further amounts may be paid to BDO Corporate Finance in accordance with its normal time-based charges.
- FB Rice has been engaged to prepare the Patent Report included in this Prospectus in Section 9. The Company has paid or agreed to pay approximately \$2,000 (excluding GST) for these services up until the date of this Prospectus.
- Rotenstreich-Gitzelter has acted as Israeli legal adviser to ParaZero Israel in relation to the Offer. ParaZero Israel has paid, or agreed to pay, approximately \$25,000 for these services up until the date of this Prospectus.
- Telfer & Associates has acted as South African legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$41,000 for these services up until the date of this Prospectus.





THE COMPANY'S TECHNOLOGIES ALLOW THE **REALISATION** OF REGULAR COMMERCIAL **DRONE SERVICES** IN URBAN AND **POPULATED ENVIRONMENTS**, WHICH UNTIL NOW HAVE BEEN EITHER BANNED OR HIGHLY RESTRICTED BY AVIATION REGULATORS



## 12 CORPORATE GOVERNANCE

### 12.1 Overview

This Section 12.1 outlines how the Board will oversee the management of the Company's business.

The Board is responsible for the overall corporate governance of the Company. It monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company.

In conducting the Company's business with these objectives in mind, the Board seeks to ensure that the Company is properly managed to protect and enhance shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has adopted a corporate governance framework for managing the Company, and has adopted relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company. Copies of the Company's key corporate governance policies and practices, and charters for the Board and each of its committees are available at <https://parazero.com/investor-relations/corporate-governance/>.

### 12.2 ASX Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (4th edition) ('**ASX Recommendations**') for ASX-listed companies in order to promote investor confidence and to assist companies to meet stakeholder expectations. While the ASX Recommendations are guidelines rather than prescriptions, under the Listing Rules, the Company is required to include in its annual report either a corporate governance statement that meets the requirements of the Listing Rules or the URL of the page on its website where such a statement is located. Where the Company does not follow a particular recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Except as set out below, as at the date of this Prospectus, the Company intends to comply with all of the ASX Recommendations with effect from Completion of the Offer, however it may depart from certain ASX Recommendations in the future if it considers that such a departure would be reasonable.

- ASX Recommendation 1.5 provides that the Board should set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally. The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for diversity at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.
- ASX Recommendation 2.2 provides that the Company should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership. The Company has not currently implemented a board skills matrix, but does review the necessary skills for the Board when determining Board appointments and resignations from time to time.
- ASX Recommendation 2.5 provides that the chair of the Board should be an independent director. Mr Attias is not considered to be independent as he is an executive Director of the Company.

### 12.3 Board of Directors

On Completion of the Offer, the Board will comprise the Managing Director, one executive Director (who is also the Chair) and three non-executive Directors, each of whom are considered by the Board to be independent. Detailed biographies of the Directors are provided in Section 11.1.

The Board considers a Director to be independent if they are a non-executive Director who is independent of the Company's management and free of any interest, position, association or relationship that could materially interfere with or reasonably be perceived to interfere with the exercise of their judgement and ability to act in the best interests of the Company and its shareholders. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board from time to time.

As at the date of this Prospectus, the Board considers that Chris Singleton, Stephen Gorenstein and Dan Arazi are free of any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement and are therefore able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

Eden Attias and Christopher Clark, the executive Director and Managing Director respectively, are considered by the Board not to be independent for the purposes of the ASX Recommendations.



## 12.4 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- a) the Board's composition;
- b) each of the Board's, Chairman's and Secretary's roles;
- c) the relationship and interaction between the Board and management of the Company;
- d) the Board's specific responsibilities;
- e) the establishment of Board committees;
- f) how Board meetings will be conducted;
- g) the Board's access to independent professional advice; and
- h) the Nomination Committee's powers to conduct performance reviews on the Board and to make amendments to the charter as deemed necessary.

The Board's role is to provide overall strategic guidance and effective oversight of management and such other functions as prescribed by law.

Under its charter, the Board's responsibilities include:

- a) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- b) appointment, and where necessary, the replacement, of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- c) approving the Company's remuneration framework;
- d) monitoring the timeliness and effectiveness of reporting to Shareholders;
- e) reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- f) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- g) approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the Company has sufficient clarity to be actively monitored;
- h) approving the annual, half yearly and quarterly accounts;
- i) approving significant changes to the organisational structure;
- j) approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- k) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the Listing Rules if applicable);
- l) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making; and
- m) procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

## 12.5 Board committees

The Board may, from time-to-time, establish committees to assist in the execution of its responsibilities. Once the Board is of a sufficient size and structure, reflecting that the Company's operations are of a sufficient magnitude, to assist the Board in fulfilling its duties, the Board intends to establish an Audit and Risk Committee, Remuneration Committee and Nomination Committee, each with written charters. Other committees may be established by the Board as and when required.

## 12.6 Audit and Risk Management Committee

The primary role of the Audit and Risk Management Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
- b) compliance with all applicable laws, regulations and company policies;
- c) the effectiveness and adequacy of internal control processes;
- d) the performance of the Company's external auditors and their appointment and removal;
- e) the independence of the external auditor and the rotation of the lead engagement partner;
- f) the identification and management of business, economic, environmental and social sustainability risks; and
- g) the review of the Company's risk management framework, at least annually, to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.

Under its charter, the Audit and Risk Management Committee must have at least three members, all of whom are non-executive Directors and a majority being independent Directors. All members of this committee must be financially literate. In addition, the Chairman of the committee must not be the Chair of the Board and must be independent.



## 12.7 Remuneration Committee

The primary role of the Remuneration Committee is to assist the Board in monitoring and reviewing any matters of significance affecting the remuneration of the Board and employees of the Company, by:

- a) reviewing and approving the executive remuneration policy;
- b) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- c) recommending to the Board the remuneration of executive Directors;
- d) fairly and responsibly rewarding executives;
- e) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- f) reviewing and approving the remuneration of direct reports to the CEO or Managing Director;
- g) reviewing and approving any equity-based plans and other incentive schemes.

Under its charter, the Remuneration Committee must comprise of at least three Directors, the majority being independent non-executive Directors, and it must be chaired by an independent Director who will be appointed by the Board.

## 12.8 Nomination Committee

The primary role of the Nomination Committee is to assist the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the executive team, by:

- a) maintaining a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
- b) ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

Under its charter, the Nomination Committee must comprise of at least three non-executive Directors, the majority being independent Directors, one of whom is to be appointed as the committee chairman.

## 12.9 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to ASX Recommendations.

### a) Code of conduct

The Board recognises the need to observe the highest standards of ethics, integrity, corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct which outlines how the Company expects its Directors and employees to behave during their employment.

### b) Risk Management Policy

The identification and proper management of the Company's risks are an important priority of the Board. The Board has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Company's operations and its commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board determines the Company's risk profile and is responsible for overseeing and approving the Company's risk management strategy and policies, internal compliance and internal controls. The Audit and Risk Committee is responsible for ensuring that the Company implements an appropriate risk management system.

As at the date of this Prospectus, the risk management function of the Board is supported by the Audit and Risk Management Committee Charter. The Company's risk management policy and its risk management systems are reviewed at least annually by the Board.

### c) Diversity policy

The Company is committed to workplace diversity. It recognises the benefits arising from employee and Board diversity, including a broader pool of high-quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent. As such, the Company has implemented a diversity policy.

**d) Continuous disclosure policy**

The Company is required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company is required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the Listing Rules and the Corporations Act.

The Company has adopted a continuous disclosure policy which establishes procedures that are aimed at ensuring that the Company complies with its continuous disclosure obligations and that Directors and employees are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Company Secretary will be responsible for overseeing and co-ordinating disclosure of information and providing guidance to Directors and employees on disclosure requirements and procedures.

**e) Trading policy**

The Board has adopted a Trading Policy which sets out guidelines for the sale and purchase of securities in the Company by its Key Management Personnel and to comply with the insider trading provisions of the Corporations Act which prohibit them from trading in securities in the Company while they hold 'inside information' in relation to the Company. It also establishes procedures for the buying and selling of the Company's securities by Key Management Personnel.

**f) Performance evaluation policy**

The Board recognises the need to undertake regular reviews of its performance and that of its committees, individuals Directors and senior executives. An annual review is undertaken by the Nomination Committee or should a separate committee not be established, the Board or an independent advisor, having regard to a performance evaluation policy.

**g) Whistleblower policy**

The Company is committed to conducting all of its business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. Accordingly, the Company has adopted a whistleblower policy to encourage and support people to speak up safely and securely if they become aware of wrong-doing or illegal or improper conduct within the Company. This policy provides information and guidance on how such conduct should be reported, how reports will be handled and investigated in a timely manner, and the support and protections available if a report is made.

**h) Anti-Bribery and anti-corruption policy**

The Company is committed to conducting all of its business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. Accordingly, the Company has adopted an anti-bribery and anti-corruption policy to ensure that it has effective procedures in place to prevent Corruption and Bribery. This policy applies globally and to the extent that local laws, codes of conduct or other regulations ('Local Laws') in any countries are more rigorous or restrictive than the policy, those Local Laws should be followed by any subsidiary operating in that country. This policy sets out the Company's requirements, including its subsidiaries, in relation to interactions with Officials and Third Parties.

## **12.10 Communications with Shareholders**

The Board's aim is to ensure that shareholders are provided with sufficient information to assess the performance of the Company and that shareholders are kept informed of all major developments affecting the state of affairs of the Company in accordance with all applicable laws.

In addition to the Company's disclosure obligations under the Listing Rules and the Corporations Act, the Company has a policy of seeking to keep shareholders informed. Under the policy, the Company will communicate information to shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the annual general meeting, and through annual report and ASX announcements.





THE **COMMERCIAL** UAS **SECTOR** IS DYNAMIC AND APPEARS TO BE AT AN  
INFLEXION POINT, DEMONSTRATING **POWERFUL** STAGES OF **GROWTH**

*FAA AEROSPACE FORECAST: FISCAL YEARS 2020 TO 2040*

## 13 DETAILS OF THE OFFER

### 13.1 The Offer

This Prospectus relates to an initial public offering of Shares by the Company. The Company will issue approximately 125,000,000 Shares, raising proceeds of approximately \$5.0 million at the Offer Price of \$0.04 per Share.

The Shares being offered under this Prospectus will represent approximately 25% of the total number of Shares on issue following Completion, being 500,800,731. All Shares offered under this Prospectus will rank equally with each other and the existing Shares on issue.

The Offer is made on the terms and is subject to the conditions set out in this Prospectus. Refer to Section 13.2.2 on how to apply for Shares under the Offer.

#### 13.1.1 Purpose of the Offer

The purpose of the Offer is to:

- Establish Drone Data Services into Australia
- Continue to grow Drone Data Services in Southern Africa
- Fund ongoing R&D expenses associated with the SafeAir technology
- Fund additional working capital

#### 13.1.2 Sources and uses of funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, as follows:

Table 13.1.2.1

Directors	Minimum Subscription (\$m)	Maximum Subscription (\$m)
<b>Offer Proceeds</b>	<b>3.50</b>	<b>5.00</b>
Legal Fees	0.24	0.24
Accounting Fees	0.15	0.15
Brokerage Fees	0.21	0.30
ASX Listing and Prospectus Fees	0.04	0.05
Other Listing Costs	0.01	0.01
R&D expenses	1.30	1.81
Costs associated with expansion of South African operations	0.41	0.41
Costs to establish an Australian Head Office	0.36	0.57
Expenditure on Australian sales and marketing activities	0.57	0.86
Working capital	0.21	0.60
<b>Total Uses</b>	<b>3.50</b>	<b>5.00</b>

The above table is a statement of the Company's current intentions at the date of this Prospectus. The anticipated use of funds may vary from the actual use of funds, and the assumptions upon which the use of funds is based are by their nature subject to significant uncertainties and contingencies. Accordingly, none of the Company, its Directors or any other person can give any assurance that the use of funds will be applied in the manner set out in the above table.

#### 13.1.3 Minimum Subscription

The minimum amount which must be raised under this Prospectus is \$3.5 million ('**Minimum Subscription**'). If the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

### 13.1.4 Capital Structure

The following table sets out the Company's indicative capital structure immediately prior to and immediately following Completion:

Table 13.1.4.1

Capital Structure	Existing on issue	%	Based on \$3.5m raised	%	Based on \$5.0m raised	%
Existing Ordinary Shares	139,082,099	76.7%	139,082,099	25.0%	139,082,099	23.4%
Ordinary Shares for Acquisition Consideration	0	0.0%	203,512,750	36.6%	203,512,750	34.3%
Proposed Capital Raising Shares	0	0.0%	87,500,000	15.7%	125,000,000	21.0%
Ordinary Shares to be issued upon conversion of Convertible Notes	0	0.0%	27,205,882	4.9%	27,205,882	4.6%
CIH Broker Shares <sup>4</sup>	0	0.00%	6,000,000	1.1%	6,000,000	1.0%
<b>Total ordinary share capital</b>	<b>139,082,099</b>	<b>76.7%</b>	<b>463,300,731</b>	<b>83.3%</b>	<b>500,800,731</b>	<b>84.3%</b>
Options	15,026,696	8.3%	15,026,696	2.7%	15,026,696	2.5%
Delta Drone Performance Shares	0	0.0%	45,000,000	8.1%	45,000,000	7.6%
Future ESOP (unallocated)	0	0.0%	33,000,000	5.9%	33,000,000	5.6%
Convertible Notes	27,205,882	15.0%	0	0.0%	0	0.0%
<b>Fully diluted capital</b>	<b>181,314,677</b>	<b>100.0%</b>	<b>556,327,427</b>	<b>100.0%</b>	<b>593,827,427</b>	<b>100.0%</b>

<sup>4</sup> The Company has agreed to issue CIH 6,000,000 Shares upon relisting in consideration for CIH having introduced the Company and DDSA to one another which was resulted in the Proposed Transaction.

### 13.1.5 Shareholders

The details of the ownership of the Company immediately prior to Completion and the expected ownership of Shares immediately following Completion are set out below:

Table 13.1.5.1

Shareholder	Shares held pre Completion		Shares held post Completion	
	Shares	%	Shares	%
Delta Drone SA	9,240,004	6.6%	252,458,636 <sup>5</sup>	50.4%
010 Yazamut Ltd	23,959,727	17.2%	23,959,727	4.8%
Merchant Funds Management Pty Ltd	26,251,191	18.9%	26,251,191	5.2%
Meah Plus Maarchot Betichot Le'Rachfanim LP	18,112,983	13.0%	18,112,983	3.6%
Ran Kraus	10,493,383	7.6%	10,493,383	2.1%
Other Existing Shareholders	51,024,811	36.7%	57,024,811	11.4%
New Shareholders	nil	nil	112,500,000	22.5%
<b>Total</b>	<b>139,082,099</b>	<b>100%</b>	<b>500,800,731</b>	<b>100%</b>

<sup>5</sup> This amount does not include any Performance Shares issued to Delta Drone SA on completion of the Proposed Transaction, which may convert into Shares in accordance with their terms. However, this amount does include Shares with a value equal to \$500,000, which Delta Drone SA has expressed an intention to invest up into the Offer.

### 13.1.6 Terms and conditions of the Offer

The following is a summary of the terms and conditions of the Offer:

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 14.9.
What is the consideration payable for each Share?	The Offer Price is \$0.04 per Share.
What is the Offer Period?	<p>Key dates, including details of the Offer Period, are set out on page 9. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time.</p> <p>The Company, in consultation with the Lead Manager, reserves the right to amend any or all of the dates and times subject to the Corporations Act, the Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdraw the Offer, without prior notice.</p>
What are the cash proceeds to be raised under the Offer?	Between \$3.5 million and \$5.0 million will be raised under the Offer.
Is there a Minimum Subscription amount?	Yes, details are provided in Section 13.1.6.
What is the minimum and maximum application size under the Offer?	The minimum Application size under the Offer is \$2,000 (equivalent to 50,000 Shares in aggregate). There is no maximum Application size under the Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for.
What is the allocation policy?	<p>The basis of allocation of Shares will be determined by agreement between the Company and the Lead Manager.</p> <p>The Company reserves the right in its absolute discretion not to issue any Shares to Applicants under the Offer and may reject any Application or allocate to an Applicant a lesser number of Shares than that applied for.</p>
When will I receive confirmation whether my application has been successful?	It is expected that initial holding statement will be dispatched by standard post on or about 9 December 2020.



<b>Will the Shares be quoted on ASX?</b>	<p>The Company will apply within seven days of the date of this Prospectus to ASX for re-admission to the Official List and quotation of Shares on ASX.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company is required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may re-admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>
<b>Is the Offer subject to any other conditions?</b>	<p>Yes, the Offer has a Minimum Subscription of \$3.5 million. If the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.</p>
<b>When are the Shares expected to commence trading?</b>	<p>It is expected that trading of the Shares on the ASX will commence on or about 22 December 2020.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive a holding statement do so at their own risk.</p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Share Registry or otherwise.</p>
<b>Is the Offer underwritten?</b>	<p>No, the Offer is not underwritten.</p>
<b>Are there any escrow arrangements?</b>	<p>Yes, it is expected that ASX will classify certain Shares and Performance Shares as 'restricted securities'. Further details are provided in Section 14.13.</p>
<b>Has any ASIC relief or ASX waiver been obtained or relied on?</b>	<p>Yes, details are provided in Section 14.14.</p>
<b>Are there any tax considerations</b>	<p>The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.</p>
<b>Are there any brokerage, commission or stamp duty considerations?</b>	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p>
<b>What should I do with any enquiries?</b>	<p>All enquiries in relation to this Prospectus should be directed to the ParaZero Offer Information Line on +61 8 8236 8888 from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>

## 13.2 Offer

### 13.2.1 Who can apply?

The Offer is open to all persons with a registered address in Australia or New Zealand respectively and other persons to whom it is lawful to make an offer to pursuant to this Prospectus.

### 13.2.2 How to apply

Applications may only be made on the Application Form attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from [www.parazero.com/investor-relations/prospectus](http://www.parazero.com/investor-relations/prospectus). Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

The Offer Price is \$0.04 per Share. Applications must be for a minimum of 50,000 Shares (\$2,000.00).

You may complete a paper copy of the Application Form or, alternatively, may apply for Shares online by following the instructions on the website, [www.parazero.com/investor-relations/prospectus](http://www.parazero.com/investor-relations/prospectus). Applicants making online applications may pay their application money by BPAY.

Paper copy Application forms must be sent, with payment by cheque in Australian currency, to be received by the Closing Date to:

**Post:**

C/- Automic Pty Ltd  
PO Box 5193  
Sydney NSW 2001

**Hand Delivery:**

C/- Automic Pty Ltd  
Level 2, 267 St Georges Terrace  
Perth WA 6000

Cheques or bank drafts must be made payable to ParaZero Ltd and should be crossed and marked 'Not Negotiable'.

Applicants with questions on how to complete the Application Form, or who require additional copies of the Prospectus, can contact +61 8 8236 8888 or visit the website, [www.parazero.com/investor-relations/prospectus](http://www.parazero.com/investor-relations/prospectus), to download a copy of the Prospectus.

### 13.2.3 Broker firm applicants

If you have received a firm allocation of Shares from your broker, your application and payment procedures differ in two important respects from those described above:

- i) application monies should be paid in accordance with instructions received from your broker; and
- ii) your completed Application Form and cheque must be delivered to the broker directly (not to the share registry).

Applicants who receive a firm allocation of Shares must lodge their Application Form and Application Money with the relevant broker under the relevant broker's directions in order to receive their firm allocation. Your broker acts as your agent in submitting your application.

The Company, the share registry and the Lead Manager take no responsibility for any acts or omissions by your broker in connection with your Application, Application Form or Application Money.

The procedure should be explained to you in further detail by your broker. If you have a firm allocation of Shares and are in any doubt about what action to take, you should immediately contact the broker who has made you the firm offer.

### 13.2.4 General Offer

The General Offer is open to members of the general public with registered addresses in Australia.

Applications may only be made on an Application Form attached to or accompanying this Prospectus, or by submitting an online application as set out in section 13.2.2.

If you are an investor applying under the General Offer, you should follow the terms and conditions of the Offer set out in section 13.1.6. and complete and lodge your application form in accordance with the instructions set out on the reverse of the Application Form.

The final allocation of Shares to Applicants in the General Offer will be at the absolute discretion of the Company, in consultation with the Lead Manager. The Company and the Lead Manager may reject an Application, or allocate fewer Shares than the number, or the equivalent dollar amount applied for.

An Application in the General Offer is an offer by an Applicant to the Company to apply for New Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application made by an Applicant under the Offer is irrevocable.

If the Offer is oversubscribed, a scaling policy will be applied and there may be a different application of the scale-back policy to each Applicant.

### 13.2.5 Investor Directed Portfolio Service

An investor directed portfolio service ('IDPS') is an investment reporting service offered by an operator. People who invest through an IDPS are indirect investors.

Investors who gain exposure to the Company through an IDPS master trust or wrap account do not themselves become Shareholders in the Company. It is generally the operator of the investing IDPS (or its custodian or nominee) that becomes a Shareholder. It then exercises its rights as Shareholder under its arrangements with the investor.

Indirect investors complete the application form for the IDPS and receive reports from the operator, not the Company.

When investing through an IDPS master trust or wrap account, indirect investors must complete the documents required by the operator of these services. They are not required to complete the Application Form. Enquiries should be directed to the IDPS operator.

### 13.2.6 How to pay

Applicants under the Offer must pay their Application Monies in accordance with instructions set out in the Application Form.

### 13.2.7 Application Monies

Application Monies will be held on trust for Applicants until the issue and transfer of Shares to successful Applicants. Application Monies will be refunded if the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Shares to be quoted within three months after the Company has applied for re-admission to the Official List of ASX. No interest will be payable on refunded amounts.

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application amount by the Offer Price. Where the Offer Price does not divide evenly into the Application amount, the number of Shares to be allocated will be determined by the Company. Your Application Monies should be for the entire Application amount.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

It is the preference of the Company that if possible investors pay via BPAY rather than cheque or bank draft.

### 13.2.8 Acceptance of Applications

An original, completed and lodged Application Form, together with a cheque or electronic funds transfer for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form.

If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Company's decision as to whether to treat such an Application as valid and how to construe, amend or complete the Application Form is final; however, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the Application Monies received by the Company.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

### 13.3 Potential effect of the fundraising on the future of the Company

The Directors believe that on completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to meet its stated business objectives.

### 13.4 Control implications of the Offer

Following completion of the Offer, Delta Drone SA is expected to hold a maximum of 54.49% of the Shares on issue in the Company (based on total cash proceeds of \$3.5 million received under the Offer, being the Minimum Subscription amount, and Delta Drone SA subscribing for 12,500,000 Shares under the Offer<sup>6</sup>). This percentage holding may increase further if the Performance Shares to be issued to Delta Drone SA convert into Shares in accordance with their terms. See Section 7.3(c) for the risks associated with Delta Drone SA exerting material influence over the Company.

### 13.5 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants who apply for Shares using an Application Form. Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs.

### 13.6 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Offer timetable is indicative only. The Company, in conjunction with the Lead Manager, reserves the right to vary any or all of the dates and times of the Offer (subject to the Listing Rules and the Corporations Act) without prior notice, including closing the Offer or any part of it early, extending the date the Offer closes, deferring Completion, accepting late Applications either generally or in particular cases, rejecting any application or bid, allocating to any Applicant or bidder fewer shares than the amount applied or bid for, or withdrawing the Offer.

### 13.7 Escrow arrangements

It is expected that certain Shares and Performance Shares held by Delta Drone SA will be subject to escrow following completion of the Offer. Refer to Section 14.13 for details of these escrow arrangements.

### 13.8 Acknowledgments

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;

<sup>6</sup> Delta Drone SA has expressed an intention to invest up to \$500,000 into the Offer.



- authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Offer); and
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus.

## 13.9 ASX Listing, Registers and Holding Statements

### 13.9.1 Application to ASX for Listing of the Company and quotation of Shares

The Company will apply to ASX within seven days of the date of this Prospectus for its re-admission to the Official List of ASX and quotation of the Shares (under the code 'PRZ').

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may re-admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company is required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

### 13.9.2 CHESS and issuer sponsored holdings

The Company will not be issuing share certificates. The Company participates in the ASX's Clearing House Electronic Subregister System ('**CHESS**') for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, following Completion, investors will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ('**HIN**') for CHESS holders or, where applicable, the Shareholder Reference Number ('**SRN**') of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.



## 14 ADDITIONAL INFORMATION

### 14.1 Registration of the Company

The Company was incorporated in Western Australia on 21 April 2017 as a proprietary company limited by shares.

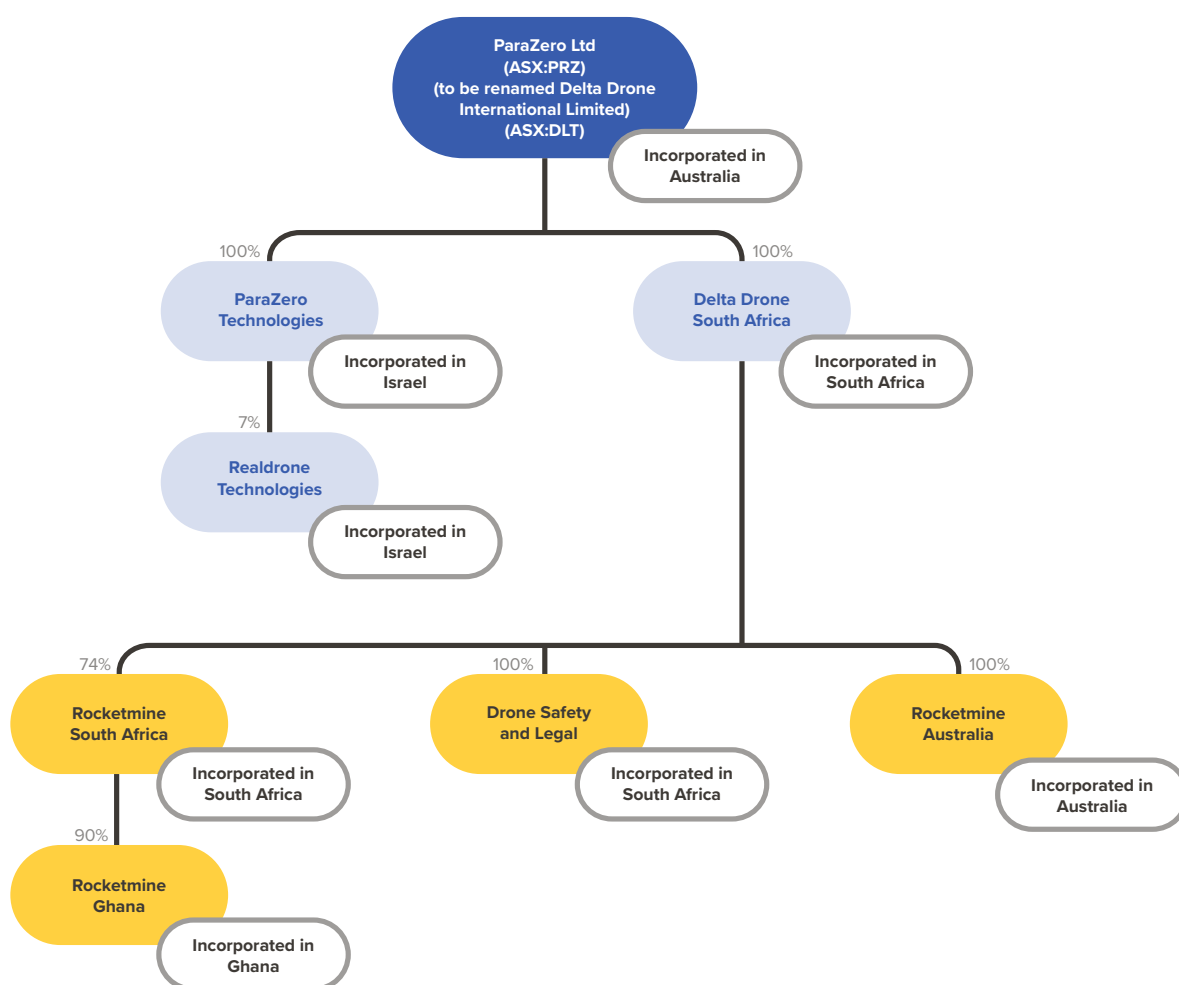
The Company converted to a public company limited by shares on 6 March 2018.

### 14.2 Company tax status

The Company is and will be subject to tax at the Australian corporate tax rate on its taxable income. The financial year of the Company ends on 31 December annually.

### 14.3 Corporate Structure

The Company's group structure following completion of the Proposed Transaction is shown in the figure below:



In accordance with the BEE Act of South Africa, enterprises achieving a high level of compliance (which necessitates having a Black ownership component) benefit as they are afforded preference when tendering for the provision of services to other enterprises or government institutions. In order to achieve the highest BEE Act compliance rating, 26% of the ordinary share capital of Rocketmine (Pty) Ltd (**'Rocketmine South Africa'**) is held by Delta Drone Empowerment (Pty) Ltd, an enterprise that is wholly owned by Black people.

Similarly, 10% of the ordinary share capital of Rocketmine Limited (**'Rocketmine Ghana'**) is held by Tony Nhyira Aikins, a resident of Ghana.

## 14.4 Summary of relevant foreign legislation

### 14.4.1 South Africa – Black Economic Empowerment Act

#### a) Overview

Black economic empowerment in South Africa is regulated by the Broad-Based Black Economic Empowerment Act ('BEE Act'), which was legislated to improve economic transformation and enhance the economic participation of Black people in the South African economy. The BEE Act defines Black people as Africans, Indians and Coloureds (which South African Courts have held to include Chinese people) who are citizens of South Africa and who were born or naturalised, or had the right to be naturalised prior to 1994.

#### b) Measurement

An enterprise's compliance with the legislation is measured in terms of a points system created by the legislation. The BEE Act also allows for sectors of industry to publish their own binding BEE codes. If a sector code applies to a specific industry, enterprises operating within that industry must be measured in accordance with the sector code for that industry.

The transport sector of South Africa has its own sector code for measuring industry players within the sector for the purposes of BEE compliance. Rocketmine South Africa, being the main operating subsidiary of DDSA, is measured in terms of the aviation sub-sector code. A copy of the score card by which Rocketmine South Africa is measured is attached at Annexure 2.

An enterprise's total points against its applicable code will determine its BEE status, which is measured in levels. Currently, Rocketmine South Africa has a level 1 BEE status, the highest that can be achieved.

#### c) Compliance

The BEE Act leaves it to each enterprise to determine its level of compliance. However, non-compliant enterprises will find it difficult to grow and maintain business in South Africa. This is because in order to reach the highest score available, an enterprise must ensure that it procures from other businesses which score highly in respect of their compliance with the legislation.

The higher the level of a supplier's BEE compliance, the more an enterprise's spend with that supplier is taken into account for the purposes of its scoring for BEE compliance purposes. Enterprises which score highly are accordingly given preference to those which only meet the minimum criteria. Consequently, pressure is placed on all businesses in the value chain to realise the highest compliance scores possible in order to remain relevant.

In order to attract business from government or the public sector and/or to retain regulatory accreditation, large enterprises must comply with BEE legislation which in turn means they put pressure on their suppliers to comply at a high level for the reasons set out above.

#### d) Impact on Rocketmine South Africa

As noted above, Rocketmine South Africa currently has a level 1 BEE status. In order to achieve this compliance rating, 26% of the ordinary share capital of the entity is held by Delta Drone Empowerment (Pty) Ltd, an enterprise that is wholly owned by Black people. Accordingly, and for so long as the preference shares remain unredeemed, 26% of any distribution to by Rocketmine South Africa to its shareholders, after the payment of preference dividend payable to DDSA, will be due to Delta Drone Empowerment (Pty) Ltd.

In accordance with Rocketmine South Africa's Memorandum of Incorporation adopted on 30 October 2018, the approval of Delta Drone Empowerment (Pty) Ltd is required to pass a special resolution of Rocketmine South Africa's shareholders. This is required in order to:

- i) amend the company's Memorandum of Incorporation, including the following matters:
  - A) increase or decrease the number of authorised but unissued shares of any class;
  - B) create any new class or classes of authorised but unissued shares;
  - C) change by way of consolidating or subdividing (or both) any or all authorised but unissued shares of any class;
  - D) reclassify all or any shares that have been authorised but not issued;
  - E) classify all or any unclassified shares that have been authorised but are not issued;
  - F) determine the preferences, rights, limitations and other terms of all or any shares that have been authorised but not issued;



- G) vary the preferences, rights, limitations and other terms of any issued or unissued shares;
  - H) vary the preferences, rights, limitations and other terms attaching to any particular class of shares;
  - I) convert any class of shares into one or more other classes of shares; and
  - J) convert any shares of par value to shares of no par value;
- ii) approve the voluntary winding-up of the company;
  - iii) approve any proposed fundamental transaction;
  - iv) give effect to those matters specifically requiring approval by special resolution in terms of this Memorandum or the South African Companies Act 71 of 2008;
  - v) approve any change in the main business of Rocketmine South Africa;
  - vi) approve any changes to the dividend policy of Rocketmine South Africa;
  - vii) approve any borrowings or raising of money of Rocketmine South Africa exceeding R1 500 000 (One Million Five Hundred Rand);
  - viii) approve any acquisition (whether in a single transaction or a series of transactions) by Rocketmine South Africa of any business (or any part of any business) or of any shares in any company;
  - ix) approve any entry into (or termination of) by Rocketmine South Africa in respect of any material partnership, joint venture, merger or profit sharing arrangement; and
  - x) approve the creation of any mortgage, charge, encumbrance or other security interest of whatsoever nature in respect of all or any material part of the undertaking, property or assets of Rocketmine South Africa;
  - xi) approve any proposal that the Company be placed in business rescue; and
  - xii) approve director's remuneration for their service as directors.

#### **14.4.2 Registration With The Ghana Investment Promotion Centre**

The law governing foreign businesses in Ghana is the Ghana Investment Promotion Centre Act, 2013, (Act 865) / ('**GIPC Act**'). The GIPC Act outlines various requirements that companies with foreign shareholding or ownership must comply with to create an enhanced and transparent environment for foreign direct investment in Ghana.

First and foremost, the GIPC Act outlines the minimum stated capital that companies with foreign participation must comply with. The minimum capital requirements are as follows;

- a. For a joint venture between a foreigner and a Ghanaian, the foreigner must contribute capital of not less than US\$200,000.00 or its equivalent worth in capital goods or a combination of both and the Ghanaian should have not have less than ten percent equity participation in the joint enterprise.
- b. Where the enterprise is wholly owned by a foreigner, the foreigner is required to invest capital of not less than US\$500,000.00 in cash or capital goods relevant to the investment or a combination of both in the enterprise.
- c. In the case of a Trading enterprise (purchasing and selling of imported goods or services – e.g. retail supermarkets) the foreigner is required to invest capital of at least US\$1,000,000.00 in cash or capital goods relevant to the investment or a combination of both in the enterprise.

Capital goods refer to goods used in the production of other goods and services and not intended for final consumption. Examples of capital goods are; imported machinery, equipment.

Furthermore, the law requires that companies with foreign ownership are required to register with the Ghana Investment Promotion Centre (GIPC) after incorporation and before the commencement of its operations. A company seeking to register with GIPC must provide the following documents;

- 1. Proof of payment of the required stated capital as outlined above.
  - a. Where the capital in by cash, the cash must be sent in country via bank transfer. The transaction should be evidence by confirmation of payment from Bank of Ghana.
  - b. Where the payment of the stated capital was by physical cash carried into Ghana, there should be evidence of a declaration of the money to the Bank of Ghana. Also, there should be a confirmation from the dealer bank and the Bank of Ghana of the deposits made into the company's account in that regard.

- c. Where the stated capital is in the form of imported machinery, equipment and goods, all documents covering such imports should be in the name of the registered company and evidenced by the following, which should be submitted to GIPC for registration purposes. i. Bill of lading/ Air way Bill (originals) ii. Destination (Ghana) Inspection Certificate iii. Customs Bill of Entry Form iv. Import Declaration Form (IDF) v. Certified/Final Invoices vi. Evidence of Capitalization-form 6 from the Registrar Generals Department.
2. Company Documents- Copy of Certificate of Incorporation, Constitution of the Company, Deed of transfer or shareholder's agreement filed at the Registrar General's Department (in situations where some shares have been transferred).
3. Completely filled GIPC Registration Forms (two copies).
4. Payment of appropriate processing fee by Banker's Draft to the Centre.
5. Companies already in operation need to provide- TAX Clearance Certificate, PAYE, SSNIT and Audited Accounts/ Financial Statements.
6. Copy of work permits if any.

Once all the above-mentioned requirements have been satisfied, GIPC will proceed to register the company accordingly. The GIPC registration is valid for a two-year period. Therefore, companies registered with GIPC are required to renew their registration with the Centre every two years.

A company with foreign ownership that fails to register with GIPC is liable to a fine of not less than GHC 6,000.00 (US\$1,030.00) and not more than GHC 12,000.00 (US\$2,061.00) and in the case of a continuing offence to an additional fine of not less than GHC 300 (US\$52.00) and not more than GHC 600 (US\$103) in respect of each day that the offence continues. In addition, GIPC may suspend or cancel the registration of an enterprise and mete out other sanctions it deems appropriate.

Rocketmine Ghana is currently in the process of complying with these registration requirements.

#### **14.5 Israeli Innovation Authority research grants**

Since 5 March 2017, ParaZero Israel has received multiple research grants from the Israeli Innovation Authority, an Israeli government body, to support the development of its second generation SafeAir technology. The total sum of all grants received to date is US\$452,672.

As a condition of accepting these grants, ParaZero Israel is required to pay the Israel Innovation Authority a royalty equal to 3% of revenues arising from products incorporating know-how developed within or derived from the second generation SafeAir technology or from ancillary services provided in connection therewith, up to an aggregate of 100% of the total grant amount.

To date, ParaZero Israel has paid the Israel Innovation Authority royalties equal to US\$39,000 in respect of revenues arising in the year ending 31 December 2018. A royalty equal to US\$47,494 is payable to the Israel Innovation Authority in respect of revenues arising in the year ending 31 December 2019. Further royalties are expected to be paid in future years, provided that ParaZero Israel continues to commercialise its second generation SafeAir technology.

#### **14.6 ASX announcements**

The Company, as a disclosing entity under the Corporations Act, states that:

- a) it is subject to regular reporting and disclosure obligations;
- b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, the offices of ASIC; and
- c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the closing date of the Offer:
  - i) the annual report of the Company for the financial year ended 31 December 2019 (2019 Annual Report), being the most recent annual report of the Company lodged with ASIC before the issue of this Prospectus;
  - ii) the half-year financial report of the Company for the 6 months ended 30 June 2020 lodged with ASIC after lodgement of the 2019 Annual Report and before the issue of this Prospectus; and
  - iii) any continuous disclosure notices given by the Company after lodgement of the 2019 Annual Report and before the issue of this Prospectus.

The Company has lodged the following announcements with ASX since the lodgement of its 2019 Annual Report:

Date	Description of announcement
3/11/2020	Letter to Holders & Proxy Form for EGM on 3 December 2020
3/11/2020	Notice of Extraordinary General Meeting
30/10/2020	Quarterly Activity Report & Appendix 4C
21/10/2020	Management Changes - Correction
20/10/2020	Management Changes
13/10/2020	Proposed issue of Securities – PRZ
13/10/2020	Agreement executed to merge with Delta Drone South Africa
25/09/2020	Cancellation of Performance Options
10/09/2020	Change in substantial holding - 010 Yazamut
27/08/2020	Appendix 4D and Half Year Report
27/08/2020	Change in substantial holding - Meah Plus
25/08/2020	Change in substantial holding - Ran Kraus
24/08/2020	Initial Substantial Holder Notice - Delta Drone SA
24/08/2020	Proposed issue of Securities - PRZ
7/08/2020	Appendix 2A - Conversion of Convertible Notes
31/07/2020	Quarterly Activity Report & Appendix 4C - June 2020
28/07/2020	Constitution
28/07/2020	Results of Annual General Meeting
9/07/2020	Milestone - 100 FAA Waivers in North American Drone Market
29/06/2020	Proposed issue of Securities - PRZ
26/06/2020	Notice of Annual General Meeting and Proxy Form
23/06/2020	Appendix 2A - Escrow Release
5/06/2020	Release of Securities from Escrow
4/06/2020	Date of AGM and Closing Date for Director Nominations
22/05/2020	Addendum to 31 March 2020 Activity Report
30/04/2020	Quarterly Activity Report & Appendix 4C
30/04/2020	Proposed issue of Securities - PRZ
23/04/2020	Change of Registered Office Address
21/04/2020	Annual Report to Shareholders
14/04/2020	Proposed issue of Securities - PRZ

The Company may make further ASX announcements after the date of this Prospectus. You are advised to refer to the ASX's website and the Company's website for announcements or updates relating to the Company.

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Directors consider that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the Company's assets and liabilities, financial position, profits and losses, and prospects, or the rights and liabilities attaching to Shares.

## 14.7 Share Sale Agreement

On 7 October 2020, the Company and Delta Drone SA entered into a Share Sale Agreement for the purposes of the Proposed Transaction. The key terms of the Share Sale Agreement are set out below:

### a) Conditions precedent

Completion under the Share Sale Agreement is subject to the Company re-complying with the requirements to re-list on the Official List (or a waiver of such condition precedent. Under the Share Sale Agreement, the condition precedent must be satisfied by 31 December 2020 or such other date as agreed to by the parties.

## b) Consideration

In consideration for the Company acquiring 100% of the issued share capital in Delta Drone and a merger of the two entities, the Company will, subject to Shareholder approval, issue to Delta Drone SA the following securities:

- i) (Ordinary Shares): 203,512,750 fully paid upfront Consideration Shares in the Company; and
- ii) (Performance Shares): subject to the satisfaction of the Performance Milestones, 45,000,000 Performance Shares as deferred consideration, comprising:
  - A) 20,000,000 Class A Performance Shares;
  - B) 15,000,000 Class B Performance Shares; and
  - C) 10,000,000 Class C Performance Shares,
- iii) the terms of which are set out in Annexure 1.

## c) Completion

Completion of the Proposed Transaction will take place immediately prior to the date on which the Shares are issued under this Prospectus.

The Share Sale Agreement is otherwise on terms and conditions considered standard for agreements of this nature, including warranties and indemnities, such as title and capacity warranties, given by Delta Drone SA and Delta Drone in favour of the Company.

## 14.8 Material contracts

### 14.8.1 Convertible Note Deeds

As at the date of this Prospectus, the Company has issued to Delta Drone SA:

- the Second Tranche Notes under the Second Tranche Convertible Note Deed; and
- the Third Tranche Notes under the Third Tranche Convertible Note Deed,

(together, the '**Convertible Note Deeds**').

Each Convertible Note is an unsecured debt instrument of the Company, comprising a loan from Delta Drone SA to the Company. Subject to receipt of all necessary Shareholder approvals, each Convertible Note shall automatically be converted into Shares on Completion of the Proposed Transaction.

On conversion, the Shares issued to Delta Drone SA will be fully paid Shares and rank equally with other existing Shares in the Company. As at the date of this Prospectus, the Second Tranche Notes have been fully paid by Delta Drone SA.





A summary of the key terms of the Convertible Note Deeds is as follows:

Term	Summary
<b>Face Value</b>	The face value of each Convertible Note will be equal to the Subscription Sum for that Convertible Note.
<b>Tranche 2 Notes Subscription Sum</b>	Note 1 – \$100,000 Note 2 – \$200,000 Note 3 – \$200,000
<b>Tranche 3 Notes Subscription Sum</b>	Note 1 – \$100,000 Note 2 – \$200,000 Note 3 – \$200,000
<b>Interest</b>	Non-interest bearing.
<b>Security</b>	The Convertible Notes are unsecured debt obligations of the Company.
<b>Voting Rights</b>	The Convertible Notes shall not provide any voting rights in the Company.
<b>Redemption Date</b>	The Second Tranche Notes have a Redemption Date of 28 December 2020. The Third Tranche Notes have a Redemption Date of 23 February 2021.
<b>Condition Precedent to Conversion</b>	All necessary Shareholder approvals being received for the issue of Shares on conversion for the purposes of Listing Rule 7.1 and for all other purposes.
<b>Conversion</b>	Subject to Shareholder approval having been obtained, each Convertible Note shall automatically be converted into Shares immediately upon the Company announcing to ASX the Completion of the Proposed Transaction on or before the Redemption Date.  Where Completion of the Proposed Transaction does not occur prior to the relevant Redemption Date, Delta Drone SA may elect between the conversion (subject to obtaining Shareholder approval) or redemption of such Convertible Notes.
<b>Allotment Date</b>	The Company shall allot and issue the Shares to which Delta Drone SA is entitled upon conversion of the Convertible Note not more than 3 Business Days after the date the Convertible Notes are converted (unless otherwise agreed to by the parties).
<b>Issue Price</b>	Second Tranche Notes - \$0.040 Third Tranche Notes - \$0.034
<b>Redemption</b>	Where the Convertible Notes have not been earlier converted, the Convertible Notes must be redeemed on the Redemption Date.
<b>Events of Default</b>	a) The Company fails to pay within five Business Days of its due date any amount payable under the relevant Convertible Note Deed. b) Other standard events of default for an agreement of this nature including misrepresentation, breach of the Company's undertaking, delisting and insolvency.
<b>Effect of Default</b>	If an Event of Default occurs, Delta Drone SA may then or at any time subsequently by notice to the Company: a) declare all money owing under the relevant Convertible Note Deeds to be immediately due and payable, and the Company must immediately pay that money (including any accrued interest and fees) and cash cover for the full amount of any money contingently owing under the relevant Convertible Note Deeds; and/or b) cancel its obligations (if any) under the relevant Convertible Note Deeds.

#### 14.8.2 Short-Term Bridging Loan

The Company entered into a loan agreement with Delta Drone SA on 7 October 2020 ('**Bridging Loan**') whereby Delta Drone SA agreed to make available to the Company a facility of A\$500,000.

None of the funds to be drawn via the Bridging Loan are for post re-listing purposes – they are to enable the Company to meet its expenses up to its expected time of re-listing only, which is why repayment is structured to occur upon re-listing (as described below).

The key terms of the Bridging Loan are summarised below:

##### a) Facility

Delta Drone SA agrees to make available to the Company a facility in an aggregate amount equal to A\$500,000.

**b) Interest**

Interest accrues daily on the principal outstanding at a rate of 10% per annum.

**c) Repayment**

The Company must repay all moneys outstanding in full to Delta Drone SA on the repayment date, which is the earlier of:

- i) Immediately following re-listing of the Company on the Official List; and
  - ii) 6 months after the initial drawdown,
- or any other date agreed by Delta Drone and the Company.

**d) Events of default**

An event of default occurs if:

- i) the Company fails to pay any of the moneys outstanding payable by it when due;
- ii) the Company fails to comply with, perform or observe any obligation or undertaking expressed or implied in the document and, if the failure is capable of remedy, it continues to be unremedied for specified period;
- iii) a representation or warranty made, or taken to be made, by or for the Company under the document is found to have been incorrect or misleading when made or taken to be made;
- iv) an insolvency event occurs in relation to the Company; or
- v) execution or distress takes place or is attempted or an order to execute a judgment (however described) is made or applied for against the Company or its assets.

**e) Remedies**

If an event of default occurs, Delta Drone SA may declare that all moneys outstanding are immediately due and payable.

**14.8.3 Intercompany loan agreement - ParaZero Israel**

The Company entered into an intercompany loan agreement with ParaZero Israel on 17 April 2019 ('**Intercompany Loan**') whereby the Company agreed to extend a revolving line of credit to ParaZero Technologies of up to A\$10,000,000. The balance of this loan is A\$8,312,569 as at 30 June 2020.

The key terms of the Intercompany Loan are summarised below:

**a) Credit line**

The Company agrees to provide ParaZero Israel with a revolving line of credit of up to A\$10,000,000. ParaZero Israel must execute a promissory note equal to the amount advanced under the Intercompany Loan in favour of the Company. The Company may refuse a draw-down if an event of default has occurred.

**b) Interest**

Interest does not accrue on any sum advanced under the Intercompany Loan.

**c) Event of default**

An event of default occurs if:

- i) any representation made by ParaZero Israel under the Intercompany Loan is untrue;
- ii) any certificate, financial statement or statement furnished by ParaZero Israel is untrue; Israel breaches a covenant under the Intercompany Loan;
- iii) ParaZero Israel breaches a covenant under the Intercompany Loan;
- iv) an involuntary petition for bankruptcy is filed by ParaZero Israel seeking re-organisation arrangement or readjustment of debts or any other relief under the Bankruptcy Code or under any other insolvency law; and
- v) an involuntary petition for bankruptcy is filed against ParaZero Israel in bankruptcy seeking re-organisation arrangement or readjustment of debts or any other relief under the Bankruptcy Code or under any other insolvency law.

#### **d) Remedies**

If an event of default occurs, the Company may declare the entire unpaid principal balance to be immediately due and payable.

#### **14.8.4 Intercompany loan agreement - DDSA**

DDSA concluded an intercompany loan agreement with Delta Drone SA on 30 October 2018 ('**DDSA Loan**') whereby Delta Drone SA agreed to extend a revolving line of credit to DDSA of up to R30 000 000.00 for a period of 12 months. The balance of this loan is R24 793 766.00 as at 31 December 2019.

The key terms of the DDSA Loan are summarised below:

##### **a) Credit Line**

Delta France made a facility of up to R30 000 000.00 available until 29 October 2019. The loan is repayable on demand, subject to 3 months' notice.

##### **b) Interest**

The DDSA Loan accrues interest at a rate of 2.5%. The loan is however interest free until 31 December of the year in which the value of the assets of DDSA exceeds its liabilities following which specific provisions apply in respect of the calculation and payment of interest.

##### **c) Early Repayment Triggers**

The DDSA Loan becomes immediately due and payable if DDSA:

- i) is wound-up (provisionally or finally);
- ii) is placed under judicial management in terms of a provisional or final order; or
- iii) submits an offer of compromise or similar offer to its creditors generally or otherwise becomes a party to a compromise arrangement with its creditors generally.

##### **d) Subordination and settlement of the DDSA loan**

Delta Drone SA subordinated, with effect from 31 December 2017, its loan account of R23 870 191.00, in favour of all other creditors of DDSA. The DDSA loan is to be assigned to the Company pursuant to the Share Sale Agreement.

#### **14.8.5 Intercompany loan agreement - Rocketmine South Africa**

DDSA concluded an intercompany loan agreement with Rocketmine South Africa on 30 October 2018 ('**Rocketmine Loan**') regulating multiple prior advances made by DDSA to Rocketmine South Africa. The balance of this loan is R10 171 971.00 as at 31 December 2019.

The key terms of the DDSA Loan are summarised below:

##### **a) Repayment and Interest**

The Rocketmine Loan is interest free and repayable on demand, subject to 3 months' notice.

##### **b) Early Repayment Triggers**

The Rocketmine Loan becomes immediately due and payable if Rocketmine South Africa:

- i) is wound-up (provisionally or finally);
- ii) is placed under judicial management in terms of a provisional or final order; or
- iii) submits an offer of compromise or similar offer to its creditors generally or otherwise becomes a party to a compromise arrangement with its creditors generally.

##### **c) Subordination and settlement of the DDSA loan**

DDSA subordinated, with effect from 31 December 2017, its loan account of R10 171 971.00, in favour of all other creditors of Rocketmine South Africa.

#### 14.8.6 Intercompany loan agreement - Rocketmine Ghana

Rocketmine South Africa concluded an intercompany loan agreement with Rocketmine Ghana on 11 October 2018 ('**Rocketmine Ghana Loan**') whereby Rocketmine South Africa agreed to extend a revolving line of credit to Rocketmine Ghana of up to R10 000 000.00 for a period of 12 months. The balance of this loan is R2 422 635.00 as at 31 December 2019.

The key terms of the Rocketmine Ghana Loan are summarised below:

##### a) Credit line

Rocketmine South Africa made a facility of up to R10 000 000.00 available until 10 October 2019. The loan is repayable within 5 years of 31 May 2017 or on demand, subject to 3 months' notice, whichever is the sooner.

##### b) Interest

The DDSA Loan accrues interest at a rate of 10% calculated and compounded annually in arrears. Accrued interest is payable within 60 days of the last day of December each year.

##### c) Early repayment triggers

The Rocketmine Ghana Loan becomes immediately due and payable if Rocketmine Ghana:

- i) is wound-up (provisionally or finally);
- ii) is placed under judicial management in terms of a provisional or final order; or
- iii) submits an offer of compromise or similar offer to its creditors generally or otherwise becomes a party to a compromise arrangement with its creditors generally.

#### 14.8.7 Rocketmine South Africa – Shareholders' Agreement

Rocketmine South Africa has two shareholders namely, DDSA (which holds 74% of the issued its ordinary share capital) and Delta Drone Empowerment (Pty) Ltd (which holds the remaining 24% of its issued ordinary share capital). DDSA, Delta Drone Empowerment (Pty) Ltd and Rocketmine South Africa are parties to a shareholder's agreement ('**Rocketmine Shareholders' Agreement**') which was signed on 30 October 2018.

The key terms of the Rocketmine Shareholders' Agreement are summarised below:

- a) The chairperson of the board of directors is appointed by DDSA and has a casting vote.
- b) Managing director is appointed by Rocketmine and thus effectively by DDSA which holds majority of the voting rights.
- c) DDSA may appoint up to 3 directors while Delta Drone Empowerment (Pty) Ltd may appoint 1 director.
- d) Shareholders are subject to the confidentiality clause in the agreement.
- e) Each shareholder's shares are subject to a right of pre-emption in favour of other shareholder.
- f) A shareholder is forced to offer of their shares to the other shareholder in the event of the shareholder:
  - i) being wound-up;
  - ii) entering into a compromise, arrangement, assignment with its creditors;
  - iii) committing a material breach of the Rocketmine shareholders' agreement;
  - iv) Delta Drone Empowerment (Pty) Ltd ceasing to qualify as a black owned company for the purposes of the BEE Act.

There is no preferential price on forced sales of shares.

- g) Shareholders are deemed, in terms of a drag along clause, to sell their shares if a third party, offers to purchase all of the issued share capital and shareholder loans in Rocketmine South Africa and shareholders holding 40% of the issued share capital accept the third party's offer.
- h) A shareholder may, if a third party offers to purchase the shares and loan account of the other shareholder constituting at least 50% of the entire issued share capital of Rocketmine South Africa, veto such sale unless the third party is willing to purchase its shares on the same terms and conditions as the offer made to the other shareholder.



- i) If shareholders agree to finance Rocketmine, the loans are intended to be pro rata their shareholding. Any amount loaned in excess of the pro rata share bears interest at publicly quoted prime rate of interest charged by one of the major South African banks.
- j) Dividends in respect of preference shares are paid in priority to dividends on ordinary shares.

#### **14.8.8 Call option agreement**

Delta Drone Empowerment (Pty) Ltd and Rocketmine South Africa concluded a call option agreement on 30 October 2018 in terms of which Rocketmine South Africa has been granted an irrevocable call option to purchase all of Delta Drone Empowerment (Pty) Ltd 260 ordinary shares in Rocketmine South Africa at market value as agreed or determined by independent auditor.

The key terms of the Call Option Agreement are summarised below:

- a) Delta Drone Empowerment (Pty) Ltd and DDSA waive their pre-emptive rights in respect of the call shares.
- b) The call option commenced on 30 October 2018 and expires on 30 October 2043.
- c) The call option may be exercised by Rocketmine South Africa at any time during the currency of the agreement by addressing written notice to Delta Drone Empowerment (Pty) Ltd confirming its election to exercise the option.
- d) The price payable for the shares shall be the market value as agreed by the parties or determined by independent auditor.
- e) The purchase price payable for Delta Drone Empowerment (Pty) Ltd's shares is payable on the date upon which the shares are allocated to the authorised share capital of Rocketmine South Africa and Rocketmine South Africa is liable for any securities transfer tax payable on the repurchase of its shares.

#### **14.8.9 Customer Contracts - Rocketmine**

Rocketmine South Africa has a number of customer contracts throughout South Africa, Namibia and Ghana, no contract in and of itself is material to the company's financial performance on its own. Rocketmine South Africa engages directly with its respective customers whether for individual mine sites, or more broadly across a whole corporate group, to provide a comprehensive range of drone and data collection services. These relationships are increasingly moving towards longer-term master services arrangements.

DDSA has a current confirmed order book of A\$2,661,850, with A\$1.6M scheduled to be delivered and invoiced in the next 12 months. 94% of these revenues are attributable to Mining services across Africa, with 6% accredited to Precision Agriculture.

The following commercial arrangements are currently in place and are intended to continue post completion of the Proposed Transaction:

- a) a 5-year contract with Newmont Gold Ridge Ltd (Ghana) in respect of survey, mapping and high-wall inspection services via drones that is expected to expire in H1 2023;
- b) a renewed 2-year contract with Newmont Ghana Gold Limited in respect of survey, mapping and high-wall inspection services via drones that is expected to expire in H2 2022;
- c) a renewed 12-month contract with CNNC (previously Rio Tinto) for the Rossing Uranium Mine in Namibia that is expected to come up for renewal in Q3 2021;
- d) a 36-month letter of award to provide survey mapping services for Exxaro Belfast Coal Mine that is due to expire in H2 2023;
- e) a three-year services contract for survey, mapping and high-wall inspection via drones that is on foot until the end of 2021 with two of Assmang's mines, located in the Northern Cape region of South Africa that is due to expire in H2 2021;
- f) a formal purchase order dated 31 August 2020 to conduct a flare-tip proof-of-concept inspection for an oil and gas customer; and
- g) a renewed agricultural contract with Pioneer Hi-Bred RSA (Pty) Limited for the 2021 season.

Rocketmine South Africa has been awarded a two-year contract (subject to finalisation of terms) with South32 to provide survey, mapping and high-wall inspection services beyond September 2020, for its Mamantwan Manganese Mine in Northern Cape, South Africa until H2 2022. This contract is a renewal of a previous contract.

#### 14.8.10 Customer Contracts - ParaZero Israel

As noted in Section 5.7, ParaZero Israel has a number of reseller agreements in place to facilitate the international distribution of its SafeAir technology.

ParaZero Israel generally adopts standard contracting terms with resellers. The key terms are summarised below:

##### a) Appointment

Each reseller is appointed for the purposes of distributing, marketing and selling ParaZero Israel's products in a particular territory, subject to compliance with minimum purchase quantities.

##### b) Termination

A reseller agreement may be terminated by either party for any reason on 60 days' notice or immediately if the counterparty: (i) enters into liquidation or bankruptcy proceedings that are not terminated or discharged within 60 days; (ii) makes a general arrangement with its creditors; (ii) ceases to conduct its business in the ordinary course; or (iv) fails to fulfill any of its obligations or undertakings under the reseller agreement (and that failure is not rectified within 14 days of receipt of a written demand to do so).

##### c) Reseller's obligations

Each reseller is solely responsible for providing installation, commissioning, start-up, after-sale support services and maintenance for all products sold. Further, each reseller undertakes that such services must be performed by technicians who are trained and certified by Parazero Israel.

##### d) Limited warranty

Subject to limited exceptions, ParaZero Israel warrants to each reseller that its products will be free of defects in material and workmanship under normal use and service for a period of 12 months following delivery to the reseller.

##### e) Limitation of liability and indemnification

ParaZero Israel has the benefit of a broad exclusion of liability and a corresponding indemnity from the reseller for losses suffered in connection with the distribution, marketing and/or sale of ParaZero Israel's products by the reseller.

##### f) Competitive products and confidentiality

During the term of the reseller agreement and for a period of 12 months thereafter, the reseller agrees to refrain from engaging in any way in the manufacture, purchase, marketing, or sale of any product or device which is competitive with ParaZero Israel's products. The reseller is also required to comply with customary confidentiality obligations.

##### g) Intellectual property

Each reseller acknowledges and agrees that Parazero Israel owns all rights, title and interest in or to all intellectual property relating to its products.

#### 14.8.11 Lead Manager

The Company and the Lead Manager have entered into a corporate advisory services agreement ('**Lead Manager Mandate**'), pursuant to which the Company has appointed the Lead Manager to act as the lead manager of the Offer. The following is a summary of the key terms of that agreement.

##### a) Fees and expenses

The Company has agreed to pay the Lead Manager, subject to Completion of the Offer:

- i) a Lead Manager fee of 2% (plus GST) of the gross amount raised;
- ii) an Advisor Handling fee of 4% (plus GST) of the gross amount raised;
- iii) a success fee of \$4,000 (prior to the payment of the success fee, the Company and the Lead Manager may agree to the grant of 4,000,000 options to the Lead Manager in lieu of cash payment, where such options will have an exercise price of \$0.06 per option and an expiry date of two years); and
- iv) a monthly corporate advisory retainer of \$6,000 (plus GST) per month for six months, starting on the commencement of trading on ASX following the Offer.

The Company has also agreed to reimburse the Lead Manager for all reasonable out of pocket expenses it incurs in connection with its engagement.

#### **b) Termination**

Unless terminated earlier, the Lead Manager Mandate will continue until the date that is six months following the Company's re-admission to the Official List of ASX.

The Lead Manager Mandate may be terminated by either party on one month's written notice.

In the event of termination by the Company, the Lead Manager will be entitled to retain fees paid up to the date of termination and to be paid the Advisor Handling fee if the Company or any related body corporate of the Company at any time within the period of 6 months following termination reaches financial close (or enters into an agreement which later reaches financial close) on a capital raising or similar transaction contemplated by the Lead Manager Mandate.

#### **c) Representations and warranties**

The Lead Manager Mandate contains warranties, representations and undertakings standard for an agreement of this nature.

The representations and warranties relate to compliance with applicable laws (including the Listing Rules).

#### **d) Indemnity**

The Company agrees keep the Lead Manager and certain of its affiliated parties indemnified from all losses suffered in connection with the Lead Manager Mandate, subject to customary exclusions.

### **14.8.12 Corporate Adviser**

The Company and Nero Capital have entered into a corporate advisory engagement (**'Corporate Adviser Engagement'**), pursuant to which the Company has appointed Nero Capital to act as financial and strategic adviser to the Company. The following is a summary of the key terms of that agreement.

#### **a) Fees and expenses**

The Company has agreed to pay Nero Capital, subject to Completion of the Offer,

- i) a monthly retainer fee of \$5,000 (plus GST); and
- ii) an Equity Capital Success fee of 1% (plus GST) of the gross amount raised.

The Company has also agreed to reimburse Nero Capital for all reasonable out of pocket expenses it incurs in connection with its engagement.

#### **b) Termination**

Subject to termination for cause by the Company, Nero Capital entitlement to the fees set out above will continue to apply to any transaction which is concluded by the Company within 12 months of the date of expiry or termination paid up to the date of termination of the Corporate Adviser Engagement.

#### **c) Indemnity**

The Company agrees keep Nero Capital and certain of its affiliated parties indemnified from all losses suffered in connection with the Lead Manager Mandate, subject to customary exclusions.

### **14.8.13 Cukierman & Co Investment House Ltd**

The Company has agreed to issue 6,000,000 Shares to Cukierman & Co Investment House Ltd (**'CIH'**) upon re-listing in consideration for CIH having introduced the Company and DDSA to one another which has resulted in the Proposed Transaction.

## **14.9 Summary of rights and liabilities attached to Shares and other material provisions of the Constitution**

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute (including the Corporations Act), the Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **14.9.1 General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

### **14.9.2 Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited).

### **14.9.3 Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

### **14.9.4 Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

### **14.9.5 Shareholder liability**

As the Shares under this Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

### **14.9.6 Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

### **14.9.7 Restricted Securities**

In accordance with the requirements of Listing Rule 15.12, the holders of Restricted Securities must not dispose of, or agree to dispose of, those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX. In addition, if the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those securities.



#### 14.9.8 Variation of rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares. If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

#### 14.9.9 Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

#### 14.10 Other securities on issue

On Completion of the Offer, the Company will have no securities on issue other than Shares, Options and Performance Shares.

As at the date of this Prospectus, the Company has the following number of Options on issue:

Issue Date	Expiry Date	Exercise Price	Number of Options
13 June 2018	13 June 2023	\$0.0027	8,169,619
13 June 2018	13 June 2021	\$0.30	4,000,000
17 April 2019	17 April 2024	\$0.1125	955,480
24 June 2019	24 June 2024	\$0.1125	953,544
5 November 2019	5 November 2024	\$0.09	948,053
<b>Total</b>			<b>15,026,696</b>

As set out in Section 14.7, the Company proposes to issue 45,000,000 Performance Shares to Delta Drone SA in connection with the Proposed Transaction. The specific terms of the Performance Shares are set out in Annexure 1.

#### 14.11 Employee Share Option Plan

The Company has adopted an employee share option plan ('**ESOP**'). The key terms of the ESOP are as follows:

- a) (**Purpose**) The ESOP is intended to provide an incentive to retain, in the employment or service or directorship of the Company persons of training, experience and provide the ability to attract new employees, directors or consultants whose services are considered valuable.
- b) (**Administration**) The Board or a committee appointed by the Board will administer the ESOP.
- c) (**Eligibility**) The persons eligible to participate in the ESOP include any employees, directors and consultants of the Company or any subsidiary of the Company.
- d) (**Trustee**) The Company may apply to appoint a trustee to hold Options issued under the ESOP.
- e) (**Compliance with laws**) The Company will comply with laws relevant in the jurisdiction in which a recipient lives, including initially appointing a trustee to hold the Options under the ESOP for the recipients in Israel.
- f) (**Exercise price**) The exercise price of the Options shall be determined by the Board.
- g) (**Adjustments**) Options issued under the ESOP may be subject to adjustments where:
  - i) the Company is separated, re-organised merged, acquired or consolidated with or into another corporation, the Board may determine that any vesting conditions that have not yet been satisfied shall be accelerated so that any unvested options become immediately vested;
  - ii) a share dividend, share split, combination or exchange of shares, re-capitalisation or any other like event, the options issued under the ESOP shall be likewise adjusted;
  - iii) if all or a substantial portion of the Shares in the Company are sold under a merger or re-organisation then the options under the ESOP on issue will be accelerated to enable the holders to participate in the merger.

- h) (**Unvested options**) Upon the termination of any holder's employment with the Company, any unvested options will immediately expire.
- i) (**Vested options**) Unless otherwise prescribed by the Board, upon the termination of a holder's employment with the Company, any vested options remain on issue in accordance with their terms, unless the employment is terminated by the Company for cause, or the termination is as a result of death or disability (in which case the options must be exercised within 12 months from the effective date of termination).
- j) (**New Issues**) Option holders are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless they:
- they have become entitled to exercise their Options; and
  - they exercise their Options and receive Shares before the record date for determination of entitlements to the new issue of securities and participate as a holder of Shares.
- k) (**Non-transferrable**) Options issued under the ESOP are generally not transferable.
- l) (**Term**) The ESOP shall remain effective for the period of 10 years from the date of its adoption.
- m) (**Amendments**) The Board of the Company may alter or amend the ESOP at any time, except that no amendment shall be made which would impair the rights of the holder of any options already granted.
- n) (**Subject to laws**) The ESOP remains subject to the laws in any jurisdiction in which the Company operates and any rules imposed by ASX.

The Company does not intend to grant any further Options under the ESOP.

## 14.12 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

## 14.13 Escrow arrangements

### 14.13.1 Mandatory Escrow

As a condition of re-listing, it is expected that ASX will classify certain Shares and Performance Shares ('**Escrowed Securities**') as 'restricted securities' and impose mandatory escrow on these Escrowed Securities

As a result of this, prior to re-listing, the holders of Escrowed Securities ('**Escrowed Security Holders**') will be required to enter into mandatory escrow agreements with the Company in relation to the Escrowed Securities held by them.

The tables below set out the Escrowed Securities that are expected to be subject to ASX imposed escrow and the escrow periods.

Shareholder	Shares held on Completion	Shares subject to mandatory escrow	% of Shares subject to mandatory escrow	Escrow Period
Delta Drone SA	239,958,633 <sup>7</sup>	205,718,632	85.73%	24 months after re-listing
Other Existing Shareholders	135,842,098	-	0%	n/a
Successful applicants under the Offer	125,000,000	-	0%	n/a
<b>Total</b>	<b>500,800,731</b>	<b>205,718,632</b>	<b>41.08%</b>	

<sup>7</sup> This amount does not include any Shares subscribed for by Delta Drone SA under the Offer or any Performance Shares issued to Delta Drone SA on completion of the Proposed Transaction, which may convert into Shares in accordance with their terms. Delta Drone SA has expressed an intention to invest up to \$500,000 into the Offer.

Holder	Performance Shares held on Completion	Performance Shares subject to mandatory escrow	Escrow Period
Delta Drone SA	20,000,000 Class A	20,000,000 Class A	24 months after re-listing%
Delta Drone SA	15,000,000 Class B	15,000,000 Class B	
Delta Drone SA	10,000,000 Class C	10,000,000 Class C	
<b>Total</b>	<b>45,000,000</b>	<b>45,000,000</b>	

### 14.13.2 Restrictions on dealings and release of escrow

A mandatory escrow restriction deed contains restrictions on dealing that are broadly defined and include, among other things, selling, transferring or otherwise disposing of any interest in the relevant Escrow Securities, encumbering or granting a security interest over the Escrow Securities, doing, or omitting to do, any act that would have the effect of transferring effective ownership or control of any of the Escrow Securities or agreeing to do any of those things.

There are limited circumstances in which the escrow may be released, namely:

- to allow the Escrowed Shareholder to accept an offer under a bona fide third party takeover bid made in relation to the Company in accordance with the Corporations Act, provided that the holders of at least half of the Shares the subject of the bid that are not subject to escrow have accepted the takeover bid; or
- to allow the Escrowed Securities to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act, provided that, in each case, if for any reason any or all Escrowed Securities are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement, then the holder of such Escrowed Securities agrees that the restrictions applying to the Escrowed Securities will continue to apply; or
- as a requirement by applicable law.

## 14.14 Regulatory relief

### 14.14.1 ASX waivers and confirmations

The Company has obtained 'in-principle' advice that ASX would be likely to provide the confirmation and waivers described below on receipt of the Company's application for re-admission to the Official List of ASX:

- confirmation that the structure of the Company is appropriate for a listed entity for the purposes of Listing Rule 1.1 (condition 1);
- confirmation that the terms of the Performance Shares proposed to be issued to Delta Drone SA in connection with Proposed Transaction are appropriate and equitable for the purposes of Listing Rule 6.1;
- waiver from Listing Rule 2.1 (condition 2) to the extent necessary to permit the Company to issue Shares with an issue price of less than \$0.20.

### 14.14.2 ASIC relief

The Company has not applied for any ASIC relief or modifications.

### 14.14.3 Other

In connection with the Proposed Transaction, Delta Drone SA has obtained approval from the Federal Treasurer to be issued Shares in accordance with the requirements of the Foreign Acquisitions and Takeovers Act 1975 (Cth).

## 14.15 Costs of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, Listing and administrative fees, the Lead Manager's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$0.75 million. This amount has been or will be paid by the Company. Refer to Section 13.1.2 for further information.

## 14.16 Legal proceedings

Other than as set out below, so far as the Directors are aware, as at the date of this Prospectus, there are no current, pending or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or any other member of the Merged Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Merged Group.

### 14.16.1 Ghanaian Legal Proceedings

There is currently a claim by a previous employee, whom Rocketmine Ghana has a Restraint of Trade claim against, which is currently sub-judice. While Rocketmine Ghana believes its chances of success are sound, its maximum exposure currently sits at US\$50,000 (with interest), as claimed by the former employee. Rocketmine Ghana may also be asked to offer 40% of its existing shares to the former employee.

## 14.17 Taxation considerations

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.

## 14.18 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a 'Consenting Party'), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each Consenting Party has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in the Prospectus in the form and context in which it is named. No Consenting Party referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- AB Lexmall & Associates Lawyers, as Ghanaian legal adviser to Rocketmine Ghana;
- Arnold Bloch Leibler, as Australian legal adviser (other than in respect of intellectual property and taxation matters) to the Company;
- Automic, as the Company's Share Registry;
- Baker Young as Lead Manager to the Offer;
- BDO Audit, as the Company's auditor;
- BDO Corporate Finance, as Investing Accountant to the Company;
- BDO South Africa Incorporated, as Delta Drone South Africa's auditor;
- Delta Drone SA;
- Delta Drone South Africa;
- Drone Safety and Legal;
- FB Rice, as the Company's patent attorney;
- HoverUAV;
- Nero Capital, as the Company's corporate adviser;
- Rocketmine Ghana;
- Rocketmine South Africa;
- Rotenstreich-Gitzelter, as Israeli legal adviser to the Company; and
- Telfer & Associates, as South African legal adviser to the Company.

BDO Corporate Finance has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report included in this Prospectus in Section 10 in the form and context in which it appears in this Prospectus.

FB Rice has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as patent attorney to the Company in the form and context in which it is named and to the inclusion of its Patent Report included in this Prospectus in Section 9 in the form and context in which it appears in this Prospectus.

HoverUAV has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of the diagram set out in Section 6.4.2 in the form and context in which it appears in this Prospectus.

Each of:

- Delta Drone SA;
- Delta Drone South Africa,
- Drone Safety and Legal,
- Rocketmine Ghana, and
- Rocketmine South Africa

has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of statements in this Prospectus by it in the form and context in which they are included (and all other references to those statements) in this Prospectus.

#### **14.19 Governing law**

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

#### **14.20 Statement of Directors**

This Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus, and has not withdrawn that consent.





## 15 GLOSSARY

### 15.1 Technical glossary

Term	Meaning
ASTM	ASTM International
ASTM F3322-18	The standard specification for small Unmanned Aircraft System (sUAS) parachutes
ATO	Aviation Training Organization
BVLOS	Beyond Visual Line of Site
CASA	Civil Aviation Safety Authority
DaaS	Drones as a Service
DATS	Drone Aviation Training Services
DSL	Drone Safety & Legal
FAA	Federal Aviation Administration
FTS	Flight Termination System
GPS	Global Positioning System
GRC	Ground Risk Classification
IOT	Internet of Things
OEM	Original Equipment Manufacturer
R&D	Research and Development
REOC	Remotely piloted aircraft operator's certificate
RID	Remote Identification
ROC	RPAS operating certificate
RPA	Remotely Piloted Aircraft
RPAS	Remotely Piloted Aircraft Systems
RPL	Remote Pilot License
SafeAir	ParaZero patented drone safety technology designed to protect people, property, payload
SaaS	Software as a Service
SACAA	South African Civil Aviation Authority
SCADA	Supervisory Control and Data Acquisition
SDK	Software Development Kit
SORA	Specific Operational Risk Assessment
UAS	Unmanned Aircraft System
UAV	Unmanned Aerial Vehicle
USDOTIPP	United States Department of Transportation Integration Pilot Program
UTM	Unmanned Traffic Management
VLOS	Visual Line of Sight

## 15.2 Corporate glossary

Term	Meaning
<b>Applicant</b>	A person who submits an Application
<b>Application</b>	A valid application to subscribe for Shares
<b>Application form</b>	Public Offer Application Form attached to and forming part of this prospectus
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ACN 008 624 691 or the financial market operated by it
<b>ASX recommendations</b>	ASX Corporate Governance Principles and Recommendations (4th edition)
<b>AUD</b>	Australian dollars
<b>Automic</b>	Automic Pty Ltd
<b>Baker Young</b>	Baker Young Limited
<b>BDO or BDO Corporate Finance</b>	BDO Corporate Finance (WA) Pty Ltd
<b>BDO Audit</b>	BDO Audit (WA) Pty Ltd
<b>Board</b>	Board of Directors of the Company, as it is constituted from time to time
<b>Broker offer</b>	The invitation to clients of brokers who have received a firm allocation of Shares from their broker as part of the Offer
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASX
<b>CIH</b>	Cukierman & Co Investment House Ltd
<b>Closing date</b>	4 December 2020 or such other date as determined by the Board
<b>Company</b>	ParaZero, proposed to be renamed Delta Drone International Limited
<b>Corporations act</b>	Corporations Act 2001 (Cth), as amended from time to time
<b>CY18</b>	Calendar year 2018
<b>CY19</b>	Calendar year 2019
<b>CY20</b>	Calendar year 2020
<b>DATS</b>	Drone Aviation Training Services
<b>Delta Drone SA</b>	Delta Drone SA, a public company incorporated in accordance with the laws of the French Republic under registration number 530 740 562 R.C.S Lyon
<b>Delta Drone South Africa or DDSA</b>	Delta Drone South Africa (Pty) Ltd, a private company incorporated in accordance with the laws of the Republic of South Africa under registration number 2016/349398/07
<b>Directors</b>	Directors of the Company, from time to time, and Mr Christopher Clark (subject to shareholder approval at the EGM)
<b>Drone data services</b>	The provision of ongoing or one-off contracted drone services which entail the collection, processing and possible analysis of data gathered from unmanned operations
<b>Drone Safety and Legal</b>	Drone Safety and Legal (Pty) Ltd registration number 2013/200608/07
<b>Drones-as-a-Service or DaaS</b>	The provision of ongoing or one-off contracted services related to unmanned operations
<b>EGM</b>	Extraordinary general meeting of the Company to be held on 3 December 2020
<b>ESOP</b>	The Company's Employee Share Option Plan
<b>Expiry date</b>	The date which is 13 months after the Prospectus Date upon which the Prospectus expires
<b>Exposure period</b>	The seven-day period after the date of lodgement of this Prospectus, which may be extended by ASIC by up to a further seven days
<b>GST</b>	Goods and Services Tax
<b>H1</b>	The first half



<b>H2</b>	The second half
<b>IPO</b>	Initial public offer of the Company's Shares
<b>Lead managers</b>	Baker Young Pty Limited AFSL 246736
<b>Listing</b>	Re-admission to the Official List of ASX
<b>Listing rules</b>	The listing rules of ASX
<b>Maximum raising</b>	The maximum amount to be raised under the Offer, being \$5,000,000
<b>Merged group</b>	The combined DDSA and ParaZero Israel businesses
<b>Minimum raising</b>	The minimum amount to be raised under the Offer, being \$3,500,000
<b>Nero Capital</b>	Nero Capital Pty Ltd ACN 162 544 005
<b>Offer</b>	The offer to investors to purchase Shares in the Company
<b>Offer price</b>	The offer price of a Share under the Offer \$0.04 per Share
<b>Official list</b>	The official list of ASX
<b>Official quotation</b>	Official quotation by ASX in accordance with the ASX Listing Rules
<b>ParaZero Israel</b>	ParaZero Technologies Ltd
<b>Personal information</b>	Any personal information contained in an application
<b>Pro forma historical results</b>	The Consolidated Pro Forma historical statements of profit and loss for the years ended 31 December 2018 and 2019 and the half years ended 30 June 2019 and 2020
<b>Pro forma historical cash flows</b>	The Consolidated Pro Forma historical statements of cash flows the years ended 31 December 2018 and 2019 and the half years ended 30 June 2019 and 2020
<b>Pro forma historical statement of financial position</b>	The Pro Forma historical consolidated statement of financial position as at 30 June 2020
<b>Pro forma financial information</b>	The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Statement of Financial Position
<b>Proposed transaction</b>	The proposed acquisition of 100% of the issued capital in DDSA pursuant to the Share Sale Agreement, as announced by the Company on 14 October 2020
<b>Prospectus</b>	This Prospectus
<b>Prospectus date</b>	The date on which the Prospectus was lodged with ASIC, being 10 November 2020
<b>Rocketmine Ghana</b>	Rocketmine Ghana registration number CS0 15 20 2017
<b>Rocketmine South Africa</b>	Rocketmine (Pty) Ltd registration number 2008/0083494/07
<b>Section</b>	A section of this Prospectus
<b>Securities Law</b>	The Israeli Securities Law, 1968
<b>Share</b>	An ordinary fully paid share in the issued capital of the Company
<b>Share registry</b>	Automic Pty Ltd
<b>Shareholder</b>	A holder of one or more Shares in the Company, from time to time







## 16 CORPORATE DIRECTORY

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### Directors

**Mr Christopher Clark**

Chief Executive Officer and Executive Director  
*(subject to shareholder approval at the EGM)*

**B Gen (ret.) Eden Attias**

Executive Chairperson

**Mr Chris Singleton**

Independent Non-Executive Director

**Mr Stephen Gorenstein**

Independent Non-Executive Director

**Mr Dan Arazi**

Independent Non-Executive Director

### Company Secretary

**Stephen Buckley**

Company Secretary

### ASX Code

**PRZ**

*(intended to be changed to **DLT** shortly following re-listing)*

### Registered Office

C/- Servcorp  
Level 27, 101 Collins Street  
Melbourne VIC 3000

### Lead Manager to the Offer

**Baker Young**

Level 6, 121 King William Street  
Adelaide SA 5000

### Legal Advisers to the Offer

**Arnold Bloch Leibler**

Level 21, 333 Collins Street  
Melbourne, VIC 3000

### Investigating Accountant

**BDO Corporate Finance (WA) Pty Ltd**

38 Station Street  
Subiaco WA 6008

### Company Auditor

**BDO Audit (WA) Pty Ltd**

38 Station Street  
Subiaco WA 6008

### Share Registry

**Automatic Registry Services**

Level 5, 126 Phillip Street,  
Sydney NSW 2000

## 17 ANNEXURE 1 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

### 17.1 Part A – Class A Performance Shares

The terms and conditions of the Class A Performance Shares are set out as follows:

- a) **(Entitlement)** Each Class A Performance Share entitles Delta Drone SA to subscribe for one fully paid ordinary Share in the capital of the Company if Delta Drone achieves consolidated revenue (for the avoidance of doubt, only Delta Drone and excluding the Company) for any full financial year (being 1 January to 31 December) during the three-year term of the Class A Performance Share of not less than US\$3.2 million (**'First Performance Milestone'**).
- b) **(Notice of satisfaction of First Performance Milestone)** The Company will give written notice to Delta Drone SA promptly following satisfaction of the First Performance Milestone or lapse of a Class A Performance Share where the First Performance Milestone is not satisfied.
- c) **(No voting rights)** A Class A Performance Share does not entitle Delta Drone SA to vote on any resolutions proposed by the Company except as otherwise required by law.
- d) **(No dividend rights)** A Class A Performance Share does not entitle Delta Drone SA to any dividends.
- e) **(No rights to return of capital)** A Class A Performance Share does not entitle Delta Drone SA to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- f) **(Rights on winding up)** A Class A Performance Share does not entitle Delta Drone SA to participate in the surplus profits or assets of the Company upon winding up.
- g) **(Not transferable)** A Class A Performance Share is not transferable.
- h) **(Re-organisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of Delta Drone SA will be changed in a manner consistent with the applicable Listing Rules and Corporations Act at the time of re-organisation.
- i) **(Application to ASX)** The Class A Performance Shares will not be quoted on ASX. However, the Company must apply for the official quotation of a Share issued on conversion of a Class A Performance Share on ASX within the time period required by the Listing Rules.
- j) **(Participation in new issues)** A Class A Performance Share does not entitle Delta Drone SA (in its capacity as a holder of a Class A Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- k) **(Change of control):**
  - i) Subject to paragraph (ii), if there is a Change of Control Event in relation to the Company prior to the conversion of the Class A Performance Shares, then the First Performance Milestone will be deemed to have been achieved and each Class A Performance Share will automatically and immediately convert into a Share.
  - ii) If the number of Shares to be issued as a result of the conversion of all Class A Performance Shares due to a Change of Control Event in relation to the Company is in excess of 10% of the share capital of the Company at the time of the conversion, then the number of Class A Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares is equal to 10% of the share capital of the Company at the time of conversion.
- l) **(No other rights)** A Class A Performance Share gives Delta Drone SA no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

#### Conversion of the Class A Performance Shares

- m) **(First Performance Milestone)** A Class A Performance Share will convert into a Share upon satisfaction of the First Performance Milestone.
- n) **(Lapse)** If the First Performance Milestone is not satisfied within three (3) years of the date of issue then the relevant Class A Performance Share will automatically lapse.
- o) **(Issue of Shares)** The Company will issue the Share on conversion of a Class A Performance Share within ten (10) business days following the conversion or such other period required by the Listing Rules.

- p) **(Holding statement)** The Company will issue Delta Drone SA with a new holding statement for any Share issued upon conversion of a Class A Performance Share within ten (10) business days following the issue of the Share.
- q) **(Ranking upon conversion)** The Share into which a Class A Performance Share may convert will rank pari passu in all respects with existing Shares.

## 17.2 Part B – Class B Performance Shares

The terms and conditions of the Class B Performance Shares are set out as follows:

- a) **(Entitlement)** Each Class B Performance Share entitles Delta Drone SA to subscribe for one fully paid ordinary Share in the capital of the Company if Delta Drone enters into at least two binding contracts with Australian based mining companies for the provision of drone survey or mapping solutions services to those mining companies in Australia with a verified contract value to be received by Delta Drone for those services in the first 5 years from the date on which the contracts are executed of not less than US\$1,000,000 (**Second Performance Milestone**).
- b) **(Notice of satisfaction of Second Performance Milestone)** The Company will give written notice to Delta Drone SA promptly following satisfaction of the Second Performance Milestone or lapse of a Class B Performance Share where the Second Performance Milestone is not satisfied.
- c) **(No voting rights)** A Class B Performance Share does not entitle Delta Drone SA to vote on any resolutions proposed by the Company except as otherwise required by law.
- d) **(No dividend rights)** A Class B Performance Share does not entitle the Company to any dividends.
- e) **(No rights to return of capital)** A Class B Performance Share does not entitle Delta Drone SA to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- f) **(Rights on winding up)** A Class B Performance Share does not entitle Delta Drone SA to participate in the surplus profits or assets of the Company upon winding up.
- g) **(Not transferable)** A Class B Performance Share is not transferable.
- h) **(Re-organisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of Delta Drone SA will be changed in a manner consistent with the applicable Listing Rules and Corporations Act at the time of re-organisation.
- i) **(Application to ASX)** The Class B Performance Shares will not be quoted on ASX. However, the Company must apply for the official quotation of a Share issued on conversion of a Class B Performance Share on ASX within the time period required by the Listing Rules.
- j) **(Participation in new issues)** A Class B Performance Share does not entitle Delta Drone SA (in its capacity as a holder of a Class B Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- k) **(Change of control):**
  - i) Subject to paragraph (ii), if there is a Change of Control Event (defined below) in relation to the Company prior to the conversion of the Class B Performance Shares, then the Second Performance Milestone will be deemed to have been achieved and each Class B Performance Share will automatically and immediately convert into a Share.
  - ii) If the number of Shares to be issued as a result of the conversion of all Class B Performance Shares due to a Change of Control Event in relation to the Company is in excess of 10% of the share capital of the Company at the time of the conversion, then the number of Class B Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class B Performance Shares is equal to 10% of the share capital of the Company at the time of conversion.
- l) **(No other rights)** A Class B Performance Share gives Delta Drone SA no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### Conversion of the Class B Performance Shares

- m) **(Second Performance Milestone)** A Class B Performance Share will convert into a Share upon satisfaction of the Second Performance Milestone.
- n) **(Lapse)** If the Second Performance Milestone is not satisfied within three (3) years of the date of issue then the relevant Class B Performance Share will automatically lapse.

- o) **(Issue of Shares)** The Company will issue the Share on conversion of a Class B Performance Share within ten (10) business days following the conversion or such other period required by the Listing Rules.
- p) **(Holding statement)** The Company will issue Delta Drone SA with a new holding statement for any Share issued upon conversion of a Class B Performance Share within ten (10) business days following the issue of the Share.
- q) **(Ranking upon conversion)** The Share into which a Class B Performance Share may convert will rank pari passu in all respects with existing Shares.

### 17.3 Part C – Class C Performance Shares

The terms and conditions of the Class C Performance Shares are set out as follows:

- a) **(Entitlement)** Each Class C Performance Share entitles Delta Drone SA to subscribe for one fully paid ordinary Share in the capital of the Company if during the three year term of the Class C Performance Shares the Company announces to the ASX that Delta Drone has expanded the services of its business offering into a new geographic location outside of Australia, Israel, South Africa, Ghana and Namibia and achieved a revenue in that new geographic location of not less than US\$1,000,000 (**Third Performance Milestone**).
- b) **(Notice of satisfaction of Third Performance Milestone)** the Company shall give written notice to Delta Drone SA promptly following satisfaction of the Third Performance Milestone or lapse of a Class C Performance Share where the Third Performance Milestone is not satisfied.
- c) **(No voting rights)** A Class C Performance Share does not entitle Delta Drone SA to vote on any resolutions proposed by the Company except as otherwise required by law.
- d) **(No dividend rights)** A Class C Performance Share does not entitle Delta Drone SA to any dividends.
- e) **(No rights to return of capital)** A Class C Performance Share does not entitle Delta Drone SA to a return of capital whether in a winding up, upon a reduction of capital or otherwise.
- f) **(Rights on winding up)** A Class C Performance Share does not entitle Delta Drone SA to participate in the surplus profits or assets of the Company upon winding up.
- g) **(Not transferable)** A Class C Performance Share is not transferable.
- h) **(Re-organisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of Delta Drone SA will be changed in a manner consistent with the applicable Listing Rules and Corporations Act at the time of re-organisation.
- i) **(Application to ASX)** The Class C Performance Shares will not be quoted on ASX. However, the Company must apply for the official quotation of a Share issued on conversion of a Class C Performance Share on ASX within the time period required by the Listing Rules.
- j) **(Participation in new issues)** A Class C Performance Share does not entitle Delta Drone SA (in its capacity as a holder of a Class C Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- k) **(Change of control):**
  - i) Subject to paragraph (ii), if there is a Change of Control Event in relation to the Company prior to the conversion of the Class C Performance Shares, then the Third Performance Milestone will be deemed to have been achieved and each Class C Performance Share will automatically and immediately convert into a Share.
  - ii) If the number of Shares to be issued as a result of the conversion of all Class C Performance Shares due to a Change of Control Event in relation to the Company is in excess of 10% of the share capital of the Company at the time of the conversion, then the number of Class C Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class C Performance Shares is equal to 10% of the share capital of the Company at the time of conversion.
- l) **(No other rights)** A Class C Performance Share gives Delta Drone SA no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.



### Conversion of the Class C Performance Shares

- m) **(Third Performance Milestone)** A Class C Performance Share will convert into a Share upon satisfaction of the Third Performance Milestone.
- n) **(Lapse)** If the Third Performance Milestone is not satisfied within three (3) years of the date of issue then the relevant Class C Performance Share will automatically lapse.
- o) **(Issue of Shares)** The Company will issue the Share on conversion of a Class C Performance Share within ten (10) business days following the conversion or such other period required by the Listing Rules.
- p) **(Holding statement)** The Company will issue Delta Drone SA with a new holding statement for any Share issued upon conversion of a Class C Performance Share within ten (10) business days following the issue of the Share.
- q) **(Ranking upon conversion)** The Share into which a Class C Performance Share may convert will rank pari passu in all respects with existing Shares.



19 ANNEXURE 2 – ROCKETMINE SOUTH AFRICA - BEE SCORE CARD



VDC-F04/V7

time • value • impartiality

**QSE Transport Sector (Aviation Sub-Sector) B-BBEE Certificate**

**Rocketmine (Pty) Ltd**

Registration No: 2008/008394/07 VAT Number: 4200258814

Address: Willow Wood Office Park, 220 Third Street Broad Acre, Fourways, 2021

Level One Contributor			
Scorecard Details	Score	Other Details	Results
Ownership	27.00	Procurement Recognition	135.00%
Management Control	25.00	Black Ownership	26.00%
Employment Equity	23.39	Black Women Ownership	14.04%
Skills Development	N/A	Modified Flow Principle Applied	No
Preferential Development	N/A	Certificate Number	Q2018FV0041
Enterprise Development	N/A	Value adding Supplier	Yes
Socio-Economic Development	25.00	Issue Date	12 December 2019
<b>Total Score</b>	<b>100.39</b>	Expiry Date	11 December 2020
<b>Measurement Period</b>	<b>01 November 2018 – 31 October 2019</b>		

Technical Signatory: Fidel Zimbango

This B-BBEE certificate is based on the information provided to FIDELITY VERIFICATION and represents an impartial and independent opinion. The Department of Trade and Industry's Integrated Transport Sector Code as gazette 32511 of 21 August 2009 has been applied.

Contribution Level	Qualification Points	Procurement Recognition Level
Level One Contributor	> 100	135.00%
Level Two Contributor	> 95 But < 100	125.00%
Level Three Contributor	> 90 But < 95	110.00%
Level Four Contributor	> 80 But < 90	100.00%
Level Five Contributor	> 75 But < 80	80.00%
Level Six Contributor	> 70 But < 75	60.00%
Level Seven Contributor	> 55 But < 70	50.00%
Level Eight Contributor	> 40 But < 55	10.00%
Non-Compliant Contributor	< 40	0.00%



BVA243

+2711 028 0417

info@fidelityverification.co.za

www.fidelityverification.co.za







## CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

## INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for Fully Paid Ordinary Shares in ParaZero Ltd (to be renamed Delta Drone International Ltd) (**Company**) made under the terms set out in the Prospectus dated 10 November 2020.

Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

- Shares Applied For & Payment Amount** - Enter the number of Shares & the amount of the Application Monies payable you wish to apply for. Applications under the Offer must be for a minimum of \$2,000 worth of Shares (50,000 Shares) and thereafter, in multiples of \$500 worth of Shares (12,500 Shares).
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AWST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/-/home>
- CHESSE Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESSE subregister, enter your CHESSE "Holder Identification Number" ("HIN"). Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ("SRN") will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made through this application form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the application form. Do not forward cash with this Application Form as it will not be accepted.  
Your cheque must be made payable to "ParaZero Ltd" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

## DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

## LODGEMENT INSTRUCTIONS

The Offer opens on 25 November 2020 and is expected to close on 4 December 2020. The Directors reserve the right to close the offer at any time once sufficient funds are received. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be submitted:

<p><b>By Post:</b> ParaZero Ltd C/- Automic Pty Ltd GPO Box 5193 SYDNEY NSW 2001</p>	<p><b>By Hand Delivery:</b> ParaZero Ltd C/- Automic Pty Ltd Level 2, 267 St Georges Terrace PERTH WA 6000</p>
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Your Application Form must be received by no later than:  
**4 December 2020**  
(unless extended or closed earlier)

## ASSISTANCE

Need help with your application, no problem. Please contact Automic on:

<p><b>PHONE:</b> 1300 288 664 within Australia +61 (2) 9698 5414 from outside Australia</p>	<p><b>LIVE WEBCHAT:</b> Go to <a href="http://www.automicgroup.com.au">www.automicgroup.com.au</a></p>
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<p><b>EMAIL:</b> <a href="mailto:corporate.actions@automic.com.au">corporate.actions@automic.com.au</a></p>
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