

PARAZERO LIMITED
ACN 618 678 701

OFFER DOCUMENT

For a pro rata non-renounceable Rights Issue to Eligible Shareholders on the basis of 1 New Share for every 3 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.10 per New Share to raise approximately \$2,927,694 (before costs) (**Offer**).

The Offer opens on 4 January 2019 and closes at 5:00pm (WST) on 21 January 2019 (unless it is lawfully extended). Valid acceptances must be received before that time.

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

The Offer is partially written by Baillieu Ltd (ACN 006 519 393) (AFSL 245421). Refer to Section 5.1 for further details.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.

The New Shares offered by this Offer Document should be considered as speculative.

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1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

1.1 This document is not a prospectus

This Offer Document is dated 21 December 2018, has been prepared by Parazero Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

1.4 Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

United States Shareholders

This Offer does not constitute an offer in the United States of America, nor does it constitute an offer to a person who is a US Person or someone who is acting on behalf of a US Person.

The Shares have not been, and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States of America, or to, or for the account or benefit of, US Persons (as defined in Rule 902 under the US Securities Act) except under an available exemption from registration under the US Securities Act. These Shares may only be resold or transferred if registered under the US Securities Act or pursuant to an exemption from registration under the US Securities Act and in compliance with state securities laws. The Company is under no obligation and has no intention to register the Shares in the United States of America.

Further detail in relation to foreign jurisdictions is set out in this Offer Document.

New Zealand Shareholders

The Offer is being made in New Zealand pursuant to the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.5 Notice to nominees and custodians

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.6 Forward-looking statements

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Offer Document, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements

contained in this Offer Document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements.

1.7 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2. CHAIR'S LETTER

Dear Shareholder

On behalf of Parazero Ltd, I am pleased to invite you to participate in the recently announced 1 for 3 non-renounceable entitlement offer for new Parazero ordinary shares (**New Shares**) to raise approximately \$2,927,694 via the issue of approximately 29,276,948 New Shares at an offer price of \$0.10 per New Share (**Entitlement Offer**).

Since listing on the ASX in June 2018, the Company has been executing its business plan outlined in its Prospectus dated 30 April 2018 and has been focusing its expenditure on growing its sales and marketing, as well as research and development, as set out in that Prospectus.

The result of this work, together with the Company's strategic decision to pursue the consumer drone market, in addition to the commercial drone market, has seen increased costs and the need to expend further capital in the way of inventory acquisition and additional research and development expenditure. The Directors are confident that these increased expenditures will lead to greater growth opportunities for Shareholders.

The use of funds is set out in Section 3.2 below.

The Offer is partially underwritten by Baillieu Ltd (**Underwriter**).

If you take up your Entitlement in full, you can also apply for Additional New Shares under the Shortfall Offer (refer to Section 4.5 for more information).

The Offer Price represents a discount of 26.6% to the 30-day volume-weighted average price of Shares for the period up to 20 December 2018 (being the last trading date before the announcement of the Entitlement Offer).

The Offer is non-renounceable, and Entitlements will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements they do not take up. I encourage you to consider this Offer carefully.

Yours Sincerely



Eden Attias
Executive Chair & CEO

3. DETAILS OF THE OFFER

3.1 The Offer

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 3 Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.10 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as set out in Section 3.7 of this Offer Document, a maximum of approximately 29,276,948 Shares will be issued pursuant to this Offer to raise up to approximately \$2,927,694.

As at the date of this Offer Document, the Company has 67,419,609 Options on issue, 27,031,917 of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 3.7 of this Offer Document for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

3.2 Use of Funds

Completion of the Offer will result in an increase in cash in hand of up to approximately \$2,927,694 (before the payment of costs associated with the Offer) assuming that all funds are received under the Offer.

The Company intends to apply the funds raised under the Offer as follows:

Items of Expenditure	\$	%
Product Inventory	1,261,331	43.1%
Working capital ¹	1,504,978	51.4%
Expenses of the Offer	161,385	5.5%
Total	2,927,694	100%

Note:

1. Funds allocated to working capital will be used for administration expenses of the Company over the next 12 months, including administration fees (\$986,978), director remuneration of (\$385,000) and other administration and obligatory overheads (\$133,000).
2. Where less than the full subscription is received, the first \$800,000 received (which is the underwritten portion) will be allocated to meeting existing inventory expenses to enable the Company to continue to meet existing orders. Additional funds raised will then be allocated to those inventory costs up to \$1,261,331 and then allocated toward working capital to be used as set out in 1 above.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general

economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

3.3 Indicative Timetable**

	Date
Lodgement of Offer Document and Appendix 3B with ASX	24 December 2018
Notice sent to Shareholders	27 December 2018
Ex Date	28 December 2018
Record Date for determining Shareholder entitlements	31 December 2018
Offer Document sent out to Shareholders	4 January 2019
Last date to extend the Closing Date*	16 January 2019
Closing Date of Offer	21 January 2019
Securities quoted on a deferred settlement basis	22 January 2019
Notify ASX of under-subscriptions	24 January 2019
Issue date/Shares entered into Shareholders' security holdings	29 January 2019
Quotation of Shares issued under the Offer	30 January 2019

* Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only and are subject to change.

3.4 Underwriting

The Company has entered into the Underwriting Agreement with the Underwriter which has agreed to manage and partially underwrite the Offer up to the amount of \$800,000 on the terms set out in the Underwriting Agreement. The Company agrees to pay the Underwriter an underwriting fee of 5% of the underwriting commitment (being an underwriting fee of \$40,000 plus GST), such fee to be paid on the date of allotment of the New Shares.

The Company undertakes to issue an Appendix 3B and a cleansing notice under section 708AA(2)(f) of the Corporations Act which complies with section 708AA(7) of the Corporations Act and otherwise take such necessary action that the Underwritten Shares are immediately tradeable after their issue.

Customary with these types of arrangements, the Underwriting Agreement includes a number of termination events, which are set out in Section 5.1

3.5 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 4 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4. The Shortfall Offer is described in Section 4.5 below.

3.6 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

3.7 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue	87,830,391
New Shares offered pursuant to the Offer ¹	29,276,948
Total Shares on issue after completion of the Offer¹	117,107,339

Notes:

- This number may vary due to rounding of Entitlements and may increase as a result of the rounding up of New Shares offered under the Offer.

Options

Options	Number
Options currently on issue:	
Unquoted exercisable at \$0.0027 on or before 13 June 2023	2,031,917
Unquoted exercisable at \$0.0027 on or before 13 June 2023 ¹	6,387,692
Unquoted exercisable at \$0.0027 on or before 13 June 2012 ¹	4,000,000
Total	12,419,609

Class A Preference Options	Number
Class A Preference Options currently on issue:	
Unquoted exercisable at \$0.20 on or before 13 June 2023 ¹	14,000,000
Unquoted exercisable at \$0.20 on or before 13 June 2023	4,333,334
Total	18,333,334

Class B Preference Options	Number
Class B Preference Options currently on issue:	
Unquoted exercisable at \$0.20 on or before 13 June 2023 ¹	8,000,000
Unquoted exercisable at \$0.20 on or before 13 June 2023	10,333,333
Total	18,333,333

Class C Preference Options	Number
Class C Preference Options currently on issue:	
Unquoted exercisable at \$0.20 on or before 13 June 2023 ¹	8,000,000
Unquoted exercisable at \$0.20 on or before 13 June 2023	10,333,333
Total	18,333,333

- Each of the above are subject to ASX escrow for a period of 24 months from 22 June 2018.

The capital structure on a fully diluted basis as at the date of this Offer Document would be 184,526,948 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 117,107,339 Shares.

3.8 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 25% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlements under the Entitlement Offer	Holdings if Entitlement Offer not taken Up	% Post Entitlement Offer
Shareholder 1	10,000,000	11.39	3,333,334	10,000,000	8.54
Shareholder 2	5,000,000	5.69	1,666,667	5,000,000	4.27
Shareholder 3	1,500,000	1.71	500,000	1,500,000	1.28
Shareholder 4	400,000	0.46	133,334	400,000	0.34
Shareholder 5	50,000	0.06	16,667	50,000	0.04

Notes:

- This is based on a share capital of 87,830,391 Shares at the date of this Offer Document.

3.9 Effect of the Offer on control and voting power in the Company

The Company's largest Shareholder, 010 Yazumut Ltd, is based in Israel and has advised the Company that it does not intend to take up its Entitlement. As such, there is no circumstance where an Eligible Shareholder could increase their present voting power in the Company by participating in the Offer. No issue of any Shortfall will be made to any applicant for the Shortfall if the effect of the issue of that Shortfall to that applicant would result in that applicant's voting power increasing from below 20% to 20% or above, or from a position greater

than 20%. Substantial holders and their Entitlement prior to the Offer are set out in the table below.

Shareholder	Shares	%	Offer Entitlement (Shares)
010 Yazumut Ltd	22,539,727	25.66	7,513,243
Ran Kraus	10,493,383	11.95	3,497,795
Meah Plus Maarchot Betichot Le'Rachfanum LP	7,000,460	7.97	2,333,487
Merchant Funds Management	5,744,273	6.54	1,914,758

The potential effect that the issue of the Shares under the Offer will have on the control of the Company is as follows:

- (a) if all eligible shareholders take up their entitlements under the Offer, the issue of Shares under the Offer will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Offer;
- (b) in the more likely event that there is a shortfall, eligible shareholders who do not subscribe for their full entitlement of Shares under the Offer and ineligible shareholders unable to participate in the Offer will be diluted relative to those shareholders who subscribe for some or all of their entitlement as shown by the table in section 3.8; and
- (c) in respect of any shortfall, eligible shareholders will be entitled to top-up their shareholding, by subscribing for additional shares to be issued from the shortfall pool (**Shortfall Offer**). However, the Company will only issue such Shares pursuant to an application received where the Directors are satisfied, in their discretion, that the issue of the Shares will not increase the applicant's voting power above 19.90%.

3.10 Pro-forma statement of financial position

The unaudited statement of financial position as at 30 September 2018 and the unaudited pro-forma statement of financial position as at 30 September 2018 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma statement of financial position has been adjusted for:

- (a) the issue of 29,276,948 New Shares pursuant to the Offer to raise \$2,927,694; and
- (b) the estimated expenses of the Offer of \$161,385.

The pro-forma statement of financial position has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Unaudited Pro Forma Balance Sheet

	Unaudited 30 Sep 2018 US\$	Pro-Forma including Capital Raising
Current assets		
Cash and cash equivalents	1,526,075	3,556,431
Trade and other receivables	297,019	297,019
Inventory	419,471	419,471
Total current assets	2,242,565	4,272,921
Non-current assets		
Property, plant and equipment	98,542	98,542
Total non-current assets	98,542	98,542
Total assets	2,341,107	4,371,463
Current liabilities		
Trade and other payables	390,489	401,439
Credit and current maturities of long term loans from banks	63,225	63,225
Total current liabilities	453,714	464,664
Non-current liabilities		
Long term loans from bank	9,977	9,977
Liability for Chief Office Scientist grants	496,208	496,208
Total non-current liabilities	506,185	506,185
Total liabilities	959,899	970,849
Net assets	1,381,208	3,400,614
Equity		
Issued capital	8,627,926	10,658,282
Reserves	(27,985)	(27,985)
Accumulated losses	(7,218,733)	(7,229,683)
Total equity	1,381,208	3,400,614

3.11 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.17	1 October 2018
Lowest	\$0.105	24 October 2018
Last	\$0.14	19 December 2018

3.12 Opening and Closing Dates

The Offer opens on the Opening Date, being 4 January 2018, and closes on the Closing Date, being 5:00pm (WST) on 21 January 2018 (or such other dates as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

3.13 Issue and dispatch

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3.3 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis.

Pending the issue of the New Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3.3 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

3.14 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

3.15 CHESS

The Company is a participant in 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, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.16 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company, which were set out in detail in the section 7 of the Company's prospectus dated 30 April 2018, which is available on the Company's ASX platform at www.asx.com.au (ASX:PRZ).

3.17 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

3.18 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to

the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.parazero.com or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

3.19 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the Company on +61 8 6189 1155.

4. ACTION REQUIRED BY SHAREHOLDERS

4.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you only wish to accept part of your Entitlement:**
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.10 per New Share); or
- (c) **if you wish to accept your Entitlement in full and apply for additional Shortfall shares:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided, and apply for additional Shares out of the Shortfall in excess of your Entitlement by filling in the relevant section in the Entitlement and Acceptance Form (refer section 4.54.5 below); and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.10 per New Share) for the sum of your Entitlement and application for Shortfall; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

4.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any

Application monies, the Application may not be varied or withdrawn except as required by law.

4.3 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Parazero Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

4.4 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 2:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

4.5 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

You may, in addition to taking up your Entitlement in full, apply for additional Shares out of the Shortfall (**Shortfall Shares**) in excess of your Entitlement pursuant to a top-up facility (**Shortfall Offer**) by completing the relevant part of the Entitlement and Acceptance Form relevant to the Shortfall Offer which accompanies this Offer Document. Please read the instructions on the Entitlement and Acceptance Form carefully.

Payment for the total amount of your Entitlement amount and your application for additional Shortfall Shares can be made by way of cheque/bank draft or BPAY, as per sections 4.3 and 4.4 **Error! Reference source not found.** above, and outlined on the Entitlement and Acceptance Form. Completed Entitlement and Acceptance Forms together with payment as per sections 4.3 and 4.4 above must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm AEST on the Closing Date.

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

Shortfall Shares will be issued at the issue price of \$0.10 per Shortfall Share. Eligible Shareholders who apply for Shortfall Shares may be allocated a lesser number of Shortfall Shares than applied for, or may be allocated no Shortfall Shares at all, in which case excess application monies will be refunded without interest.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.10 being the price at which Shares have been offered under the Offer.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

5. ADDITIONAL INFORMATION

5.1 Underwriting Agreement

Pursuant to an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter has agreed to underwrite the Offer for a total of 800,000 New Shares (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 5% of the total gross amount underwritten by the Underwriter (equating to approximately \$40,000). The Company will also pay the Underwriter its reasonable costs and expenses incidental to the Offer.

The Underwriter may procure such persons to sub-underwrite the Offer as the Underwriter in its sole and absolute discretion thinks fit. The Underwriter will ensure that no person will acquire, through participation in sub-underwriting the Offer, a holding of Shares of, or increase their holding, to an amount in excess of 19.9% of all the Shares on issue on completion of the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if any one of the following events occur and the event has a material adverse effect on the Offer:

- (a) **(compliance with law)** any of this Offer Document or related Offer materials or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (b) **(disclosures)** any public statement in relation to the Offer is or becomes misleading or deceptive (including by omission) or is likely to mislead or deceive, or a matter required to be included is omitted from such disclosures (including, without limitation, having regard to sections 708AA and 708A of the Corporations Act), or there are no reasonable grounds for the making of any statement in those statements relating to future matters;
- (c) **(market fall)** at any time either the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the announcement of the Offer and is at or below that 90% level at the close of trading for 2 consecutive Business Days or on the Business Day immediately prior to the Settlement Date, whichever is shorter;
- (d) **(forecasts)** there ceases to be, reasonable grounds in the reasonable opinion of the Underwriter seeking to terminate for any statement or estimate in the this Offer Document or related Offer materials which relate to a future matter, or any statement or estimate in those documents which relate to a future matter is, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (e) **(fraud)** any member of the Company's group or any of their directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of initial distribution of the Offer Document, in any fraudulent conduct or activity whether or not in connection with the Offer;

- (f) **(ASX approval)**
 - (i) unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Offer) by ASX for official quotation of the New Shares is refused, or is not granted by the Issue Date (or such later date agreed in writing by the Underwriter in its absolute discretion) or is withdrawn on or before the Issue Date; or
 - (ii) ASX makes an official statement that official quotation of all or any of the New Shares will not be granted;
- (g) **(ASIC action)**
 - (i) ASIC applies for an order under sections 1324 or 1325 of the Corporations Act in relation to the Offer or gives notice of an intention to prosecute the Company or any of its directors; or
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer, or ASIC commences any enquiry under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) and any such enquiry application, investigation or hearing either:
 - (A) becomes public; or
 - (B) is not withdrawn within 5 Business Days after it is made or commenced, or where it is made or commenced less than 5 Business Days before the Issue Date it has not been withdrawn by the Issue Date, as the case may be;
- (h) **(withdrawal)** the Company withdraws the Offer or indicates that it does not intend to or is unable to proceed with the Offer;
- (i) **(insolvency events)** any member of the Company's group becomes insolvent, or there is an act or omission which is likely to result in a member of that group becoming insolvent;
- (j) **(Timetable)** an event specified in the Offer's timetable up to and including the Issue Date is delayed by more than 1 Business Day (other than any unreasonable delay caused solely by the Underwriter or any delay agreed between the Company and the Underwriter);
- (k) **(unable to issue New Shares)** the Company is prevented from allotting and issuing the New Shares within the time required by the Offer's timetable, this Offer Document, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a Governmental Authority;
- (l) **(Certificates)** any certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished when required or a statement in that certificate is untrue, incorrect or misleading or deceptive;
- (m) **(ASX announcements)** the Company fails to lodge:
 - (i) the ASX announcement relating to the Offer; or

(ii) the Cleansing Statement,

by 9.00am on the date the Company announces the Offer;

(n) **(Defective Cleansing Statement)** the Cleansing Statement is or becomes defective, or any amendment or update to a Cleansing Statement is issued or is required to be issued under the Corporations Act and where that defective Cleansing Statement or amendment or update to a Cleansing Statement is materially adverse from the point of view of an investor;

(o) **(listing)** ASX announces that the Company will be removed from the official list or that any New Shares will be delisted or suspended from quotation by ASX for any reason;

(p) **(change to Company)**

(i) the Company alters the issued capital of the Company; or

(ii) any member of the Company's group disposes or attempts to dispose of a substantial part of the business or property of the group,

without the prior written consent of the Underwriter;

(q) **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under this agreement or to carry out the transactions contemplated by this Offer Document;

(r) **(charges)** the Company charges, or agrees to charge, the whole or a substantial part of the business or property of the Company or the Company's group other than as agreed with the Underwriter in writing; or

(s) **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any Governmental Agency which makes it illegal for the Underwriter to satisfy an obligation under this document, or to market, promote or settle the Offer.

(t) **(disclosures in the Due Diligence Report)** the Due Diligence Committee Report or verification material or any other information supplied by or on behalf of the Company to the Underwriter in relation to the Offer is, or becomes, false or misleading or deceptive, including by way of omission;

(u) **(adverse change)** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company (insofar as the position in relation to an entity in the Company's group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the group from those previously disclosed;

- (v) **(Notices)** an obligation arises on the Company to give ASX a notice in accordance with section 708AA(12)(a) of the Corporations Act or a notice in accordance with section 708A(10) of the Corporations Act;
- (w) **(hostilities)** hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Israel, Singapore, or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- (x) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, the United States, the United Kingdom, Japan, Hong Kong, Singapore, Switzerland or any member state of the European Union or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement);
- (y) **(breach of laws)** there is a contravention by the Company or any entity in the Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act, its constitution, or any of the Listing Rules;
- (z) **(change in management)** a change in management or the board of directors of the Company occurs;
- (aa) **(prosecution)** any of the following occur:
 - (i) a director of a member of the Company's group is charged with an indictable offence;
 - (ii) any Governmental Agency commences any public action against a member of the Company's group or any of their directors in their capacity as a director, or announces that it intends to take action; or
 - (iii) any director of a member of the Company's group is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- (bb) **(representations and warranties)** a representation, warranty, undertaking or obligation contained in this agreement on the part of the Company (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- (cc) **(breach)** the Company defaults on 1 or more of its obligations under the Underwriting Agreement;
- (dd) **(constitution)** the Company varies any term of its constitution without the prior written consent of the Underwriter;
- (ee) **(legal proceedings)** any of the following occurs:

- (i) the commencement of legal proceedings against any member of the Company's group or against any director or officer of a member of the Company's group; or
 - (ii) without limiting 5.1(ee), any regulatory body commences any enquiry or public action against any member of the Company's group;
- (ff) **(information supplied)** any information supplied (including any information supplied prior to the date of this agreement) by or on behalf of the Company to the Underwriter in respect of the Offer, the Company or the Company's group is, or is found to be, false or misleading or deceptive, or likely to mislead or deceive; or
- (gg) **(disruption in financial markets)** any of the following occurs:
- (i) a general moratorium on commercial banking activities in Australia, New Zealand, Japan, Singapore, Hong Kong, the United Kingdom, the United States, the People's Republic of China is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - (ii) any adverse effect on the financial markets in Australia, New Zealand, Japan, Singapore, Hong Kong, the United Kingdom, the United States, the People's Republic of China or, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
 - (iii) trading in all securities quoted or listed on ASX, the New Zealand Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange, or Tokyo Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.

The Underwriting Agreement contains a number of conditions that must be satisfied by the Company before the Underwriter's obligation to underwrite the Offer commences that are considered standard for an agreement of this type, such as satisfactory due diligence, procurement of sub-underwriters to the Offer and the timely lodgement of documents by the Company in accordance with the timetable.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

6. DEFINED TERMS

\$ or A\$ means an Australian dollar.

Additional Shares means those New Shares not issued under the Offer.

Applicant refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

Application refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Closing Date means the closing date set out in Section 3.3 or such other date as may be determined by the Directors.

Company means Parazero Limited (ACN 618 678 701).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 New Share for every 3 Shares held by an Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer or **Rights Issue** means the pro rata non-renounceable offer of New Shares at an issue price of \$0.10 each on the basis of 1 New Share for every 3 Shares held on the Record Date subscribed for pursuant to this Offer Document.

Offer Document means this Offer Document.

Opening Date means the opening date set out in Section 3.3 of this Offer Document.

Record Date means the record date set out in Section 3.3 of this Offer Document.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means as defined in Section 4.5 of this Offer Document.

Underwriter means Baillieu Ltd (AFSL 245421).

Underwriting Agreement means the underwriting agreement dated 21 December 2018 between the Company and the Underwriter, as summarised in section 5.1.

US Person means a person who receives the Offer when they are located in either the United States of America.

7. CORPORATE DIRECTORY

Directors

Eden Attias (Executive Chair and CEO)
Dan Arazi (Non-Executive Director)
Charis Law (Non-Executive Director)
Stephen Gorenstein (Non-Executive Director)

Share Registry*

Automatic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000

Company Secretary

Stephen Buckley

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Registered Office

Level 2
46-50 Kings Park Road
West Perth WA 6005

Underwriter

Baillieu Ltd
Level 26
260 Collins Street
Melbourne VIC 3000

ASX Code

PRZ

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

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