

24 December 2018

Dear Shareholder

NOTICE TO ELIGIBLE SHAREHOLDERS OF NON-RENOUCEABLE ENTITLEMENT OFFER

I am writing to you in relation to your shareholding in Parazero Limited (**Company**) (ASX:PRZ).

The Company is undertaking a non-renounceable pro rata entitlement offer on the basis of 1 new fully paid ordinary share (**New Share**) for every 3 fully paid ordinary shares in the Company (**Shares**) held by Eligible Shareholders (defined below) at an issue price of \$0.10 per New Share (**Entitlement Offer**) to raise approximately \$2,927,694 (before costs).

The Entitlement Offer will be made by way of an offer document pursuant to section 708AA of the *Corporations Act 2001* (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared (**Offer Document**). Up to 29,276,948 New Shares will be issued under the Entitlement Offer (assuming no options are exercised prior to the Record Date, defined below).

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

Product Inventory	\$1,261,331
Working capital	\$1,504,978
Expenses of the Offer	\$161,385
Total	\$2,927,694

The Entitlement Offer is only available to shareholders whose registered address is in Australia or New Zealand as recorded with the Company's share registry as at 4.00pm (WST) on 31 December 2018 (**Record Date**) (**Eligible Shareholders**).

As a non-renounceable offer, rights are not tradeable on the ASX or otherwise transferable. New Shares will rank equally with the Company's existing Shares.

Indicative Timetable

The indicative timetable for the Entitlement Offer is as follows:

Event	Date
Announcement of Rights Issue	24 December 2018
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX. Notice provided to Option holders	24 December 2018
Notice sent to Share holders	27 December 2018
Ex-date	28 December 2018
Record Date for determining Entitlements	31 December 2018
Despatch of Offer Document to Eligible Shareholders, Company announces this has been completed and Offer Opening Date	4 January 2019
Closing Date	21 January 2019
Shares quoted on a deferred settlement basis	22 January 2019

ASX notified of under subscriptions	24 January 2019
Issue date/Shares entered into Shareholders' security holdings	29 January 2019
Dispatch of holding statements	30 January 2019
Quotation of Shares issued under the Offer	30 January 2019

This timetable is indicative only. The Company reserves the right to amend this indicative timetable at any time, subject to the *Corporations Act 2001* (Cth) and the Listing Rules.

In particular, subject to the Listing Rules, the Directors reserve the right to extend the Closing Date set out above at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

Shortfall

Any entitlements not taken up pursuant to the Entitlement Offer will fall into a Shortfall.

Eligible Shareholders (and other investors upon invitation from the Company) will have the opportunity to apply for additional New Shares in excess of their entitlement. In summary, Eligible Shareholders have the following options available to them:

- take up their full entitlement;
- take up any number of shares less than their full entitlement;
- take up their full entitlement and apply for additional shares pursuant to an offer of the Shortfall (**Shortfall Offer**); or
- allow their entitlement to lapse and take up no additional shares.

Applications under the Shortfall Offer will be placed by the Company's Directors in accordance with the Corporations Act and the ASX Listing Rules.

Baillieu Limited has been appointed as partial Underwriter to the Entitlement Offer and have agreed to subscribe for a minimum of 8,000,000 New Shares. The Company shall pay Baillieu Limited a fee of 5% of the total amount underwritten by the Underwriter (equating to approximately \$40,000). The Company must also reimburse the Underwriter for costs incidental to the Offer.

Offer Document

The Company lodged the Offer Document with ASX on 24 December 2018, and it is available on the ASX website at www.asx.com.au. The Company expects to dispatch the Offer Document to shareholders of the Company on or about 4 January 2019. The Offer Document provides further details of the Entitlement Offer.

The Offer Document will attach a personalised Entitlement and Acceptance Form, which will set out the number of New Shares which you are entitled to under the Entitlement Offer, as well as details of payment options, how to subscribe for New Shares and other instructions. Please read and follow these instructions carefully to ensure your acceptance is completed according to your intentions. Please note the Closing Date of 5pm (WST) on 21 January 2019, which is the deadline by which your completed Entitlement and Acceptance Form and application monies (in full) must be received.

If you have any queries in relation to your application under the Entitlement Offer, please contact our share registry, Automic on 1300 288 664 or +61 (0)2 9698 5414.

Yours faithfully



Stephen Buckley
Company Secretary

24 December 2018

Dear Shareholder

NOTICE TO INELIGIBLE SHAREHOLDERS OF NON-RENOUCEABLE ENTITLEMENT OFFER

I am writing to you as the registered holder of shares in Parazero Limited (**Company**) (ASX:PRZ), with a registered address outside of Australia or New Zealand, as at today's date. According to our records, you are therefore an Ineligible Shareholder (defined below), as at today's date.

The Company is undertaking a non-renounceable pro rata entitlement offer on the basis of 1 new fully paid ordinary share (**New Share**) for every 3 fully paid ordinary shares in the Company (**Shares**) held by Eligible Shareholders (defined below) at an issue price of \$0.10 per New Share (**Entitlement Offer**) to raise approximately \$2,927,694 (before costs).

This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter. This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer.

The Entitlement Offer will be made by way of an offer document pursuant to section 708AA of the *Corporations Act 2001* (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared (**Offer Document**). Up to 29,276,948 New Shares will be issued under the Entitlement Offer (assuming no options are exercised prior to the Record Date, defined below).

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

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The Entitlement Offer is only available to shareholders whose registered address is in Australia or New Zealand as recorded with the Company's share registry as at 4.00pm (WST) on 31 December 2018 (**Record Date**) (**Eligible Shareholders**).

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Ineligible Shareholders

The Company has determined that it would be unreasonable to extend participation in the Entitlement Offer to shareholders who do not have a registered address in Australia or New Zealand on the Record Date (**Ineligible Shareholders**) having regard to:

- (a) the number of Ineligible Shareholders;
- (b) the number and value of the New Shares that would otherwise be offered to Ineligible Shareholders; and
- (c) the cost of complying with overseas legal and regulatory requirements.

Unfortunately, according to our records, you do not satisfy the criteria for an Eligible Shareholder, accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, the Company wishes to advise that it is unable to extend to you the opportunity to participate in the Entitlement Offer. If our records are incorrect on this matter, please contact our share registry, Automic on 1300 288 664 or +61 (0)2 9698 5414.

You will not be sent the documents relating to the Entitlement Offer or be able to subscribe for New Shares under the Entitlement Offer.

Offer Document

The Company lodged the Offer Document with ASX on 24 December 2018, and it is available on the ASX website at www.asx.com.au. The Company expects to dispatch the Offer Document to shareholders of the Company on or about 4 January 2019. The Offer Document provides further details of the Entitlement Offer.

If you have any queries in relation to your application under the Entitlement Offer, please contact our share registry, Automic on 1300 288 664 or +61 (0)2 9698 5414.

Yours faithfully



Stephen Buckley
Company Secretary

24 December 2018

Dear Optionholder

NOTICE TO OPTIONHOLDERS OF NON-RENOUCEABLE ENTITLEMENT OFFER

I am writing to you in relation to your option holding in Parazero Limited (**Company**) (ASX:PRZ).

The Company is undertaking a non-renounceable pro rata entitlement offer on the basis of 1 new fully paid ordinary share (**New Share**) for every 3 fully paid ordinary shares in the Company (**Shares**) held by Eligible Shareholders (defined below) at an issue price of \$0.10 per New Share (**Entitlement Offer**) to raise approximately \$2,927,694 (before costs).

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In accordance with the Listing Rules, the Company, by this letter, gives you notice of your right to participate in the Entitlement Offer, subject to the requirements detailed below.

To participate in the Entitlement Offer, you will need to have exercised your options and have been issued the resulting Shares prior to the Record Date. Notice of exercise of options and cleared payment of the exercise price of the options must be received by the Company's share registry, Automic Registry Services on or before 1.00pm (WST) on 31 December 2018. Notices of exercise of options received after this date cannot be assured of the allotment of Shares by the Record Date for the Entitlement Offer.

There is no obligation for you to exercise your options. This letter is intended to inform you of your rights in relation to your options and the Entitlement Offer. If you do not wish to participate in the Entitlement Offer, you do not need to take any action. If you require an option exercise form, please contact our share registry, Automic on 1300 288 664 or +61 (0)2 9698 5414.

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If you have any queries in relation to your application under the Entitlement Offer, please contact our share registry, Automic on 1300 288 664 or +61 (0)2 9698 5414.

Yours faithfully



Stephen Buckley
Company Secretary