

12 December 2019

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

By email: ListingsCompliancePerth@asx.com.au

Dear Ms Reid

I refer to your letter dated 9 December 2019 regarding the Company's Appendix 4C for the period ended 30 June 2019.

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

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

PRZ noted in its response of 13 August 2019 to the ASX query on the Company's Appendix 4C for the quarter ending 30 June 2019 that the Company expected its operating cash flows will remain negative for the next 12 months.

In the Company's activity report, which accompanied the Appendix 4C for the quarter ending 30 September 2019, the Company further noted that it was undertaking a full review of all the aspects of the business to determine the best pathway moving forward.

Whilst the Company's revenues have continued to improve and have been better than previously achieved by comparison, the Company still expects operating cash flows will remain negative for the foreseeable future.

2. Has PRZ taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

PRZ announced on 29 October 2019 that it was undertaking a full review of all the aspects of the business to determine the best pathway moving forward.

Since the end of the last quarter, the Company has successfully raised \$642,000 via a placement (although a small portion of that amount remains subject to shareholder approval), and continues to consider ongoing methods for accessing funds for the Company, either through equity raisings, debt or a hybrid of debt and equity.

Ultimately, the Company's needs for cash will be determined by the result of the ongoing review of its business and pathways forward.

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

As outlined above, the Company has already announced that it is undertaking a full review of all the aspects of the business to determine the best pathway moving forward.

That review has not yet been completed but the Company is currently satisfied that it is increasing revenues through its OEM business. The Board is satisfied that these

increased revenues are evidence that there is scope for the Company to continue with its business objectives even if not on a full scale model.

The Board is looking to have this review completed by 31 December 2019, in the aim of outlining a strategic pathway forward.

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

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

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

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

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

PRZ is confident that the continuing increase in waivers for operations over people being granted by the Federal Aviation Authority within the United States, proves that there is scope for the business to continue its growth. The growth in the granting of these waivers is consistent with the Company's disclosures in its Prospectus about the business opportunity that presented for the Company.

Further, PRZ announced on 6 December 2019 that it had signed a Binding Memorandum of Understanding with SkyWatch.AI Drone Insurance, a prominent risk-assessment and InsurTech platform for the drone industry. The Board believes that this important recognition of the ParaZero business helps strengthen its position for continuing operations.

Yours sincerely



Stephen Buckley
Company Secretary
ParaZero Limited



9 December 2019

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

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

Dear Mr Buckley

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

ASX refers to PRZ's Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform and released on 29 October 2019 (the 'Appendix 4C').

ASX notes that PRZ has reported:

- negative net operating cash flows for the quarter of \$463,000;
- cash at the end of the quarter of \$5,000; and
- estimated cash outflows for the next quarter of \$881,000.

It is possible to conclude, based on the information in the Appendix 4C, and noting that PRZ have secured \$642,000 via a private placement (as announced on 24 October 2019), that if PRZ were to continue to expend cash at the rate indicated by the Appendix 4C, PRZ may not have sufficient cash to continue funding its operations.

Request for Information

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

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

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

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2.00 PM AWST Thursday, 12 December 2019**.

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

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

Listing Rule 3.1 and 3.1A

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

Trading halt

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

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

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

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

Enquiries

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

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)