PARAZERO LIMITED

ABN 17 618 678 701

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PARAZERO
DRONE SAFETY SYSTEMS

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PARAZERO
DRONE SAFETY SYSTEMS

CORPORATE DIRECTORY

Directors

B. Gen (ret.) Eden Attias	Executive Chairman/Chief Executive Officer
Mr Dan Arazi	Non-Executive Director
Mr Stephen Gorenstein	Non-Executive Director
Mr Chris Singleton	Non-Executive Director

Company Secretary
Mr Stephen Buckley

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ASX Code
PRZ

CHAIRMAN'S REVIEW

Dear Shareholders,

It is an honour and a privilege to write this letter as Chairman and CEO of ParaZero Limited (Parazero or the Company) (ASX: PRZ).

Despite the uncertainty gripping the world amidst the spread of COVID-19, ParaZero is cautiously optimistic about the Company's future as the world increasingly embraces mechanisation.

In the post COVID-19 context, we expect that demand for drone services globally will experience rapid growth across a range of sectors including logistics, mining, oil & gas, agriculture, civil services and health.

Drones were extensively used in China during the throws of the epidemic, to deliver medical supplies to the frontline of the crisis. And while it may be the case that COVID-19 could have a short-term impact on our fund-raising activities and potentially revenue - ultimately, we see the virus as a mechanism to fast-track the adoption and deployment of drone technology around the world.

A transformative year for ParaZero

In the 2019 financial year, the Company made significant strides, notably more than doubling our revenue compared to the 2018 financial year as well as extending our offering with new products and services.

Key highlights:

- ParaZero revenue more than doubled from US$662K US to US$1.583M.
- ParaZero is first to be certified by the Federal Aviation Administration (FAA) for drone operations over populated areas.

We expect revenue to increase in 2020, largely due to our acquisition of Delta Drone South Africa, which brings with it annual recurring revenues of circa US$2.5 million for 2019.

The Joint Venture opportunity

The potential acquisition of Delta Drone South Africa (see ASX announcement of 12 March 2020) will be a gamechanger for ParaZero's growth trajectory.

The opportunity for global expansion through the Rocketmine brand, in addition to the partnership with the Delta Drone Group (as a major shareholder in the Joint Venture) will open new pathways for growth.

These are summarised below:

- Rocketmine provides a cost-effective, scalable solution for drone-based services in the mining and agriculture sectors.
- Strategic customers of the JV already include miners from Africa to North America.
- ParaZero and Rocketmine will create a drone survey provider that can operate in any environment.
- Delta Drone Group, as a major shareholder in the JV, can support technology and market growth through its network and global operational footprint across Europe, the United States, Africa and Australia.

The drone survey market alone is expected to grow at the highest CAGR in the drone services market over the next five years to reach US$63 billion.

ParaZero is well positioned to capitalise on the rapidly emerging global opportunity for drone services.

Expected growth in drone services revenue will help put the Company in a position of strength to continue with our technology development roadmap to create long term value for shareholders.

Fortunately, ParaZero is a firm leader in the drone industry globally and we will continue to build on our strengths so we can take advantage of renewed investor focus on drones as a key thematic.

I look forward to the continued support of our shareholders and I sincerely thank you for your vote of confidence.

Sincerely yours,

B. Gen. (ret.) Eden Attias
Chairman and Chief Executive Officer

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of ParaZero Limited ("the Company" or "ParaZero") and its controlled entity ("the Group") for the financial year ended 31 December 2019.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
B. Gen (ret.) Eden Attias	Executive Chairman/CEO	13 June 2018	-
Mr Dan Arazi	Non-Executive Director	13 June 2018	-
Mr Stephen Gorenstein	Non-Executive Director	17 October 2018	-
Mr Chris Singleton	Non-Executive Director	1 January 2019	-
Ms Charis Law	Non-Executive Director	15 March 2018	1 September 2019

Principal Activities

The principal continuing activities of the Group during the year was the development and manufacturing of drone safety systems for commercial manufactures (OEM) and Aftermarket products sold to end users of drones. With the introduction of Flight over people regulation in North America, the Group started to sell certified Aftermarket products and projects to certify OEM drones.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2019 (2018: nil).

Review of operations

Unless otherwise stated all figures in this report are in the Company's presentation currency US$.

ParaZero Limited had a loss for the year ending 31 December 2019 of $1,992,642 (2018: $4,539,064). The net assets of the Group have increased by $61,754 from $498,389 at 31 December 2018 to $560,143 at 31 December 2019. Revenues from sale of goods and services increased to $1,583,543 for the year ended 31 December 2019 from $662,046 for the year ended 31 December 2018.

As at 31 December 2019, the Group's cash and cash equivalents were $207,758 compared to $584,782 at 31 December 2018.

Significant changes in the state of affairs

There were no significant changes to the Company or the state of its affairs during the year.

Highlights during the year

During the year ended 31 December 2019, the Company had the following highlights:

- ParaZero launched drone safety system for consumer market
- Entitlement Offer closed raising a total of A$846,241
- ParaZero expanded footprint in Europe with new Hungarian distributor
- ParaZero's SafeAir is the first drone safety system to comply with Slovenia's UAS parachute regulation
- ParaZero's SafeAir achieved compliance with new ASTM standard
- Capital raising of A$1.54m (before costs) via a placement to institutional and sophisticated investors
- Federal Aviation Administration granted groundbreaking approval to fly over people for UAS operator using ParaZero safety system
- ASTM compliant SafeAir Mavic launched
- First FAA flight over people approval granted to operator using ParaZero's SafeAir Mavic
- ParaZero's SafeAir unlocks flight over people in Canada
- ParaZero received purchase orders of US$235,000
- Capital raising of A$642,000 (before costs) via a placement to institutional and sophisticated investors

Information on Directors

B. Gen (ret.) Eden Attias	Executive Chairman / Chief Executive Officer
Qualifications	Bachelor of Arts in Computer Science, Master of Arts in Public Administration
Experience	Brigadier General (ret.) Attias was nominated as Israel's first Ministry of Defense attaché to Ottawa, Canada. He has a distinguished military resume, having served in Israeli's Air Force as a pilot and as a leader in numerous positions for over 30 years, achieving the rank of Brigadier General.
Interest in Shares and Options at the date of this report	425,000 Ordinary Shares, 134,717 Ordinary Shares escrowed until 24 months from quotation 37,106 unlisted options expiring 24 June 2024 exercisable at $0.1125 8,000,000 Class A Performance Options expiring 13 June 2023 exercisable at $0.20 escrowed until 24 months from quotation 5,000,000 Class B Performance Options expiring 13 June 2023 exercisable at $0.20 escrowed until 24 months from quotation 5,000,000 Class C Performance Options expiring 13 June 2023 exercisable at $0.20 escrowed until 24 months from quotation 5,598,837 Options expiring 13 June 2023 exercisable at $0.0027 escrowed until 24 months from quotation
Directorships held in other listed entities (last 3 years)	Nil
Mr Dan Arazi	Non-Executive Director
Qualifications	Bachelor of Economics and History
Experience	Mr Arazi is a serial entrepreneur and has been involved in a number of start-ups in Israel, most particularly in the telecom 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).
Interest in Shares and Options at the date of this report	359,800 Ordinary shares 25,956 unlisted options expiring 24 June 2024 exercisable at $0.1125
Directorships held in other listed entities (last 3 years)	Nil
Mr Stephen Gorenstein	Non-Executive Director
Qualifications	BSc (Hons) Geology and Geophysics, Masters in Accounting and Finance
Experience	Mr Gorenstein has over 16 years' experience in the 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 and is active in cross border transactions particularly sourcing high-quality technology companies from Israel looking to establish themselves in Australia. Mr Gorenstein is a director of Jindalee Partners.

Interest in Shares and Options at the date of this report	400,000 Ordinary Shares 37,106 unlisted options expiring 24 June 2024 exercisable at $0.1125 120,000 Class A Performance Options expiring 13 June 2023 exercisable at $0.20 voluntarily escrowed until 24 months from quotation 240,000 Class B Performance Options expiring 13 June 2023 exercisable at $0.20 voluntarily escrowed until 24 months from quotation 240,000 Class C Performance Options expiring 13 June 2023exercisable at $0.20 voluntarily escrowed until 24 months from quotation
Directorships held in other listed entities (last 3 years)	White Rock Minerals Limited

Mr Chris Singleton	Non-Executive Director (Appointed 1 January 2019)
Qualifications	B.Ed. Industrial Arts
Experience	Mr Singleton has extensive international experience in Oil & 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 business including: Votel, a service provider acquired by Vodafone, B Digital, that was funded by Australian Capital Equity and eventually acquired by Soul Pattinson; Managing Director of Impress Energy, acquired by Beach Petroleum and recruitment solutions, Total Staffing Solutions and UltimateSkills, that were both acquired by Humanis Group.
Interest in Shares and Options	200,000 Ordinary Shares 18,553 unlisted options expiring 24 June 2024 exercisable at $0.1125 120,000 Class A Performance Options expiring 13 June 2023 exercisable at $0.20 voluntarily escrowed until 24 months from quotation 240,000 Class B Performance Options expiring 13 June 2023 exercisable at $0.20 voluntarily escrowed until 24 months from quotation 240,000 Class C Performance Options expiring 13 June 2023exercisable at $0.20 voluntarily escrowed until 24 months from quotation
Directorships held in other listed entities (last 3 years)	Cycliq Group Limited (ceased 7 May 2019)

Ms Charis Law	Non-Executive Director (Appointed 15 March 2018, ceased 1 September 2019)
Qualifications	BA, Bcom, CA
Experience	Ms Law has significant experience in accounting, corporate finance, strategy and business development in the aerospace, engineering, manufacturing, cleantech and financial services sectors across Sydney, Perth and London. She has been involved in the commercialisation and global expansion of industrial technology companies in her roles as Chief Commercial Officer at Orbital Corporation Limited (ASX: OEC) and Commercial Development Manager at Austal Limited (ASX: ASB).
Interest in Shares and Options (Held at date of resignation)	375,000 Ordinary Shares escrowed until 24 months from quotation and 200,000 Options expiring 13 June 2021 exercisable at $0.30 escrowed until 24 months from quotation (as at the date of ceasing to be a director).
Directorships held in other listed entities (last 3 years)	Nil

Information on Company Secretary

Mr Stephen Buckley	Company Secretary
Qualifications	GAICD
Experience	Mr Buckley has over 38 years' experience in financial markets and is managing director of Company Secretary Solutions Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. In the 20 years prior to starting his own business, Mr Buckley has held executive and senior leadership roles in partnership management and business development.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. During the financial year, 18 board meetings were held.:

	DIRECTORS' MEETINGS	
	Held	**Attended**
Eden Attias	18	18
Dan Arazi	18	18
Stephen Gorenstein	18	18
Chris Singleton	18	16
Charis Law	9	8

Options

At the date of this report, the number of Options on issue are as follows:

Expiry Date	Issue Date	Exercise Price	Number of Options
13 June 2023	13 June 2018	A$0.0027	8,169,619[i]
13 June 2023	13 June 2018	A$0.20	39,226,811[ii]
13 June 2021	13 June 2018	A$0.30	4,000,000[iii]
17 April 2024	17 April 2019	A$0.1125	955,480[iv]
24 June 2024	24 June 2019	A$0.1125	953,544[v]
5 November 2024	5 November 2019	A$0.09	948,053[vi]
			54,253,507

[i] Replacement options to replace the options held by employees of ParaZero Israel under an employee option scheme adopted by ParaZero Israel at a date prior to its entry into the Acquisition in the prior year.

[ii] Performance options which will be exercisable only after the achievement of certain milestones.

[iii] Options issued to lead manager and seed investors.

[iv] Options issued pursuant to a Placement.

[v] Options issued pursuant to a Placement.

[vi] Options issued pursuant to a Placement.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Details of shares issued during or since the end of the financial year as a result of exercise of an option are (2018: nil):

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
ParaZero Limited	149,685[i]	Ordinary shares	A$0.0027	-
ParaZero Limited	33,756[ii]	Ordinary shares	A$0.0027	-

[i] Unlisted options exercised on 4 February 2019 at A$0.0027 each.

[ii] Unlisted options exercised on 2 August 2019 at A$0.0027 each.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance Premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Likely Developments and Expected Results of Operations

The principal continuing activities of the Group is the development and manufacturing of certified drone safety systems for commercial manufactures (OEM) and Aftermarket products sold to end users of drones. The Company's future developments, prospects and business strategies are to continue to develop and commercialise this technology.

Events after the reporting period

On 3 February 2020, ParaZero issued A$175,000 worth of convertible notes.

On 12 March 2020, ParaZero executed a Letter of Intent with Delta Drone South Africa ("Delta Drone") to acquire the business of Delta Drone, a company incorporated in South Africa. Delta Drone is a wholly owned subsidiary of Delta Drone SA (EPA: ALDR) ("Delta Group"), a French incorporated company engaged as a leading international player in the field of civilian drones for professional use. The proposed acquisition of Delta Drone has the potential to bolster ParaZero's bottom line and underpin R&D activities. It is an opportunity to expand ParaZero's activities into South Africa and gain new strategic customers everywhere in the world where Delta Group exists.

On 18 March 2020, ParaZero issued A$170,000 worth of convertible notes.

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.

There were no other material events after the reporting period other than the above.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit Services

The auditor did not perform any non-audit services during the financial year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2019 has been received and can be found on page 17 of the financial report.

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to/from key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties
9. Voting of Shareholders at last year's annual general meeting

1. Introduction

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel. Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

Key management personnel covered in this report are as follows:

Name	Status	Appointed	Resigned
Eden Attias	Executive Chairman/CEO	13 June 2018	-
Dan Arazi	Non-Executive Director	13 June 2018	-
Stephen Gorenstein	Non-Executive Director	17 October 2018	-
Chris Singleton	Non-Executive Director	1 January 2019	-
Charis Law	Non-Executive Director	15 March 2018	1 September 2019

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year ended 31 December 2019, the Company did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Company has one (1) appointed executive, Mr Eden Attias as Executive Chairman/CEO. The terms of his Executive Services Agreement with ParaZero Limited are summarised in the following table.

Executive Name	Executive Services Agreement Summary
Eden Attias	• Executive salary of A$225,000 (based on the exchange rate at the date of this report, equals approximately US$138,492). • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies. • The Agreement is terminable by either party on 90 days' notice but may be terminated immediately where either party commits a material breach of the Agreement, including for not performing the services under the Agreement.

At this stage the Board does not consider the Group's earnings or earnings-related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

Performance Conditions Linked to Remuneration

The Group has established and maintains ParaZero Limited Employee Share Option Plan (Plan) to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group Company;
- a full or part time employee of any Group Company;
- a casual employee or contractor of a Group Company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will resulting in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted Options to acquire shares in the Company.

The purpose of the Plan is to provide an incentive, in the employment or service or directorship of ParaZero Limited and its subsidiaries, persons of training, experience and ability to attract new employees, directors or consultants whose services are considered valuable, to encourage the sense of proprietorship of such persons and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase shares in the Company. No Options were issued to executives under the Plan during the 2019 financial year (2018: 25,098,837).

4. Non-executive director fee arrangements

The Board policy is to remunerate Non-executive directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-executive directors.

The maximum aggregate amount of fees that can be paid to non-executive directors is presently limited to an aggregate of AU$300,000 (approximately US$184,656) per annum and any change is subject to approval by shareholders at the General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold shares in the Company.

Total fees for non-executive directors for the financial year were $92,946 (2018: $51,603) and cover main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

5. Details of Remuneration

The Key Management Personnel of ParaZero Limited includes the current and former directors of the Company and Key Management Personnel of ParaZero Limited during the year ended 31 December 2019.

31-Dec-19	Short term salary, fees & commissions US$	Post-employment retirement benefits US$	Other US$	Share-based payments[1] US$	Total US$	Performance based remuneration
Directors:						
Eden Attias	184,125	-	-	-	**184,125**	-
Dan Arazi	17,964	-	-	-	**17,964**	-
Stephen Gorenstein	28,118	-	-	-	**28,118**	-
Charis Law[2]	18,746	-	-	-	**18,746**	-
Chris Singleton	28,118	-	-	-	**28,118**	-
Total	**277,071**	**-**	**-**	**-**	**277,071**	**-**

[1] Share-based payment expense is recorded pro-rata over the vesting period. Refer to Section 6 Additional disclosures relating to equity instruments for further information on share-based payments granted to directors and key management during the year.
[2] Resigned 1 September 2019.

31-Dec-18	Short term salary, fees & commissions US$	Post-employment retirement benefits US$	Other US$	Share-based payments[1] US$	Total US$	Performance based remuneration
Directors:						
Eden Attias	141,170	-	-	614,328	**755,498**	81.31%
Dan Arazi	20,000	-	-	-	**20,000**	-
Stephen Gorenstein	4,984	-	-	11,831	**16,815**	70.36%
Charis Law	16,364	-	-	13,951	**30,315**	46.02%
Chris Singleton	-	-	-	-	**-**	-
Anton Uvarov	10,255	-	-	-	**10,255**	-
Howard Digby	-	-	-	-	**-**	-
Total	**192,773**	**-**	**-**	**640,110**	**832,883**	

[1] Share-based payment expense is recorded pro-rata over the vesting period. Refer to Section 6 Additional disclosures relating to equity instruments for further information on share-based payments granted to directors and key management during the 2018 year.

6. Additional disclosures relating to equity instruments

KMP Shareholdings

1,279,800 shares were issued to KMP during the 2019 financial year (2018: nil). The shares were issued pursuant to KMP participation in a Placement.

The number of ordinary shares in ParaZero Limited held by each KMP of the Group during the financial year is as follows:

31 December 2019	Balance at start of the year	Shares issued during the year	Other changes during the year	Balance at end of the year
Directors:				
Eden Attias (a)	159,717	-	400,000	559,717
Dan Arazi (a)	80,000	-	279,800	359,800
Stephen Gorenstein (a)	-	-	400,000	400,000
Chris Singleton (a) (b)	-	-	200,000	200,000
Charis Law (c)	375,000	-	(375,000)	-
Total	**614,717**	**-**	**904,800**	**1,519,517**

(a) Shares issued on 24 June 2019 to directors who participated in a Placement following shareholders approval at the 2018 Annual General Meeting.

(b) Appointed 1 January 2019.

(c) Ceased 1 September 2019.

31 December 2018	Balance at start of the year	Shares issued during the year (a)	Shares issued during the year (b)	Shares issued during the year (c)	Other changes during the year	Balance at end of the year
Directors:						
Eden Attias	-	159,717	-	-	-	159,717
Dan Arazi	-	-	-	-	80,000	80,000
Stephen Gorenstein	-	-	-	-	-	-
Charis Law	-	-	375,000	-	-	375,000
Anton Uvarov	-	-	387,500	187,500	(575,000)[d]	-
Howard Digby	-	-	387,500	125,000	(512,500)[d]	-
Total	**-**	**159,717**	**1,150,000**	**312,500**	**(1,007,500)**	**614,717**

(a) 128,467 shares issued to key management personnel as consideration for their shareholding in ParaZero Ltd Israel and 31,250 shares issued on conversion of convertible loans in ParaZero Ltd Israel.

(b) On 21 April 2017, the date of incorporation of ParaZero Limited, the issued capital of ParaZero Limited was 2,500,000 ordinary shares. Ms Law held 375,000 and Messrs Uvarov and Digby held 387,500 each.

(c) Shares issued in respect of the conversion of ParaZero Limited convertible notes on completion of the Company's Initial Public Offer and admission to the ASX Official List.

(d) Dr Uvarov resigned on 17 October 2018 and Mr Digby resigned on 13 June 2018 and both are not considered to be a KMP from this date.

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

31 December 2019	Balance at start of the year	Issued during the year	Other changes	Balance at end of the year	Vested and exercisable	Unvested and unexercisable
Directors:						
Eden Attias (a)	23,598,837	-	37,106	23,635,943	37,106	32,598,837
Dan Arazi (a)	-	-	25,956	25,956	25,956	-
Stephen Gorenstein (a)	600,000	-	37,106	637,106	37,106	600,000
Chris Singleton (a) (b)	-	600,000	18,553	618,553	18,553	600,000
Charis Law (c)	200,000	-	(200,000)	-	-	-
Total	**24,398,837**	**600,000**	**(81,279)**	**24,917,558**	**118,721**	**24,798,837**

(a) Free attaching options issued on 24 June 2019 pursuant to a Placement.
(b) Appointed 1 January 2019. Amount in “Issued during the year” represents Performance Options issued on appointment.
(d) Ceased 1 September 2019. Amount in “Other changes” represents options held on resignation.

31 December 2018	Balance at start of the year	Granted as remuneration during the year (a)	Exercised during the year	Issued during the year (c)	Other changes during the year (b)	Balance at end of the year	Vested and exercisable	Unvested and un-exercisable
Directors:								
Eden Attias	-	18,000,000	-	-	5,598,837	23,598,837	-	23,598,837
Dan Arazi	-	-	-	-	-	-	-	-
Stephen Gorenstein	-	600,000	-	-	-	600,000	-	600,000
Charis Law	-	-	-	200,000	-	200,000	200,000	-
Anton Uvarov	-	-	-	350,000	(350,000)[d]	-	-	-
Howard Digby	-	-	-	350,000	(350,000)[d]	-	-	-
Total	**-**	**18,600,000**	**-**	**900,000**	**4,898,837**	**24,398,837**	**200,000**	**24,198,837**

(a) Refer terms and conditions of the share-based payment arrangements section below for details of remuneration options issued during the year.
(b) Replacement options issued for no consideration to replace options held by key management personnel of ParaZero Israel under an employee option scheme adopted by ParaZero Israel at a date prior to its entry into the Acquisition.
(c) Options issued to key management personnel in their capacity as lead brokers.
(d) Dr Uvarov resigned on 17 October 2018 and Mr Digby resigned on 13 June 2018 and both are not considered to be a KMP from this date.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

Terms and conditions of share-based payment arrangements

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting are as follows:

Option class	Number granted	Grant Date	Vesting and exercise date(ii)	Expiry date	Exercise price	Value per option at grant date(iii)	Vested %
Class A Performance Options	18,333,334[i]	13 Jun 18	13 Jun 21	13 Jun 23	A$0.20	US$0.082	-
Class B Performance Options	18,333,333[i]	13 Jun 18	13 Jun 22	13 Jun 23	A$0.20	US$0.065	-
Class C Performance Options	18,333,333[i]	13 Jun 18	13 Jun 23	13 Jun 23	A$0.20	US$0.053	-
Broker Options	4,000,000	13 Jun 18	13 Jun 18	13 Jun 21	A$0.30	US$0.069	100%

(i)18,600,000 options issued to Messrs. Attias and Gorenstein, with the remaining out of the total 55,000,000 issued to non-KMP personnel.
(ii)The vesting and exercise dates of the Performance Options are based on the definition of Year set out below.

Vesting of Performance Options is subject to achievement of the following performance milestones:

Option Class	Performance Milestone	Assessed expected time to vest
Class A Performance Options	Class A Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US$1,500,000 from total sales of products based on the Technology in a Year(a).	2 years
Class B Performance Options	Class B Performance Options will vest and become exercisable upon satisfaction of either one of the two sub-conditions: • the Group achieving aggregate revenue of US$4,000,000 from total sales of products based on the Technology in a Year(a); or • the 14-trading day volume weighted average price of the Company shares has increased in value by more than 300% from the IPO price.	3 years
Class C Performance Options	Class C Performance Options will vest and become exercisable upon satisfaction of either one of the two sub-conditions: • the Group achieving aggregate revenue of US$8,000,000 from total sales of products based on the Technology in a Year(a); or • the 14-trading day volume weighted average price of the Company shares has increased in value by more than 500% from the IPO price.	4 years

(a)The term Year shall mean one of: (a) the time period commencing 1 July 2018 and ending on the 12 months anniversary of the completion of the IPO; (b) the 12-month period immediately after the end of the first Year, and (c) the 12-month period immediately after the end of the second Year.

(iii)The value per option at grant date were determined using a Black Scholes option pricing model. Details of Black Scholes inputs and valuations can be found at Note 18. Share-based payment expense is recorded pro-rata over the vesting period.

No share-based payment expenses were recorded in the 2019 financial year.

31-Dec-18	Fair value of options granted during the year US$	Value of options vested during the year US$	Value of options lapsed during the year US$	Value of options included in remuneration report for the year US$	Remuneration consisting of options for the year
Directors:					
E. Attias	1,249,379	-	-	614,328	81.31%
S. Gorenstein	38,216	-	-	11,831	70.36%
C. Law	13,951	13,951	-	13,951	46.02%

7. Loans to/from key management personnel (KMP) and their related parties

There were no loans to/from key management personnel and their related parties in the 2019 financial year.

Details of loans made to the Group by directors and key management in the 2018 financial year are set out below.

Name	Balance at the start of the year US$	Interest paid and payable for the year US$	Repayments during the year US$	Converted to equity during the year US$	Balance at the end of the year US$
Directors:					
E. Attias	20,000	600	-	(20,600)	-
A. Uvarov (a)	30,000	-	-	(30,000)	-
H. Digby (a)	20,000	-	-	(20,000)	-

(a) Shares were issued in respect of the conversion of ParaZero Limited convertible notes totaling A$30,000 for Dr Uvarov and A$20,000 for Mr Digby on completion of the Company's Initial Public Offer and admission to the ASX Official List. The conversion price was A$0.16 per share (a 20% discount to the offer issue price).

8. Other transactions and balances with KMP and their related parties

Transactions with related parties are entered into on terms equivalent to those that prevail in arm's length transactions. The Group had no other transactions with members of the Group's key management personnel and/or their related parties during the year.

9. Voting of shareholders at last year's annual general meeting

The Company received 72.4% "Yes" votes cast on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback at the Annual General Meeting regarding its remuneration policies.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

B. Gen (ret.) Eden Attias
Executive Chairman/Chief Executive Officer
Tel Aviv, 30 March 2020

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF PARAZERO LIMITED

As lead auditor of Parazero Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Parazero Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		US$	US$
Revenue	3	1,583,543	662,046
Cost of sales		(1,307,108)	(435,567)
Gross profit		**276,435**	**226,479**
Research and development expenses		(389,996)	(1,495,148)
General and administrative expenses	4	(1,127,669)	(1,099,133)
Selling and marketing expenses	4	(639,695)	(774,040)
Depreciation expenses		(17,201)	(14,774)
Share-based payments		-	(1,368,058)
Loss before finance expenses		**(1,898,126)**	**(4,524,674)**
Finance expenses	4	(94,516)	(14,390)
Loss before income tax		**(1,992,642)**	**(4,539,064)**
Income tax expense	5	-	-
Loss for the year		**(1,992,642)**	**(4,539,064)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		908	(186,679)
Total comprehensive loss for the year attributable to owners of the Company		**(1,991,734)**	**(4,725,743)**
Loss per share attributable to owners of the Company			
Basic/diluted loss per share (cents per share)	8	(0.018)	(0.072)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 US$	2018 US$
CURRENT ASSETS			
Cash and cash equivalents	9a	207,758	584,782
Trade and other receivables	10	154,581	268,310
Inventory	11	751,662	857,631
TOTAL CURRENT ASSETS		**1,114,001**	**1,710,723**
NON-CURRENT ASSETS			
Plant and equipment	12	78,283	94,114
TOTAL NON-CURRENT ASSETS		**78,283**	**94,114**
TOTAL ASSETS		**1,192,284**	**1,804,837**
CURRENT LIABILITIES			
Trade and other payables	13	400,719	774,578
Credit and current maturities of long-term loans	14	90,248	55,738
Other financial liability	15	66,238	100,417
TOTAL CURRENT LIABILITIES		**557,205**	**930,733**
NON-CURRENT LIABILITIES			
Other financial liability	15	74,936	375,715
TOTAL NON-CURRENT LIABILITIES		**74,936**	**375,715**
TOTAL LIABILITIES		**632,141**	**1,306,448**
NET ASSETS		**560,143**	**498,389**
SHAREHOLDERS' EQUITY			
Issued capital	16	10,681,414	8,627,926
Share-based payment reserves	17	1,988,085	1,988,085
Predecessor accounting reserve	17	(188,690)	(188,690)
Foreign exchange reserve	17	(185,771)	(186,679)
Accumulated losses		(11,734,895)	(9,742,253)
SHAREHOLDERS' EQUITY		**560,143**	**498,389**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2018	**1,196,187**	**341,000**	**-**	**-**	**(5,203,189)**	**(3,666,002)**
Loss for the year	-	-	-	-	(4,539,064)	(4,539,064)
Other comprehensive income/(loss)	-	-	-	(186,679)	-	(186,679)
Total comprehensive income/(loss) for the year	-	-	-	(186,679)	(4,539,064)	(4,725,743)
Transactions with owners in their capacity as owners:						
Issue of shares	8,118,965	-	-	-	-	8,118,965
Capital raising costs	(408,199)	-	-	-	-	(408,199)
Share based payments	(279,027)	1,647,085	-	-	-	1,368,058
Transactions under common control	-	-	(188,690)	-	-	(188,690)
Balance at 31 December 2018	**8,627,926**	**1,988,085**	**(188,690)**	**(186,679)**	**(9,742,253)**	**498,389**
Balance at 1 January 2019	**8,627,926**	**1,988,085**	**(188,690)**	**(186,679)**	**(9,742,253)**	**498,389**
Loss for the year	-	-	-	-	(1,992,642)	(1,992,642)
Other comprehensive income/(loss)	-	-	-	908	-	908
Total comprehensive loss for the year	-	-	-	908	(1,992,642)	(1,991,734)
Transactions with owners in their capacity as owners:						
Issue of shares	2,119,421	-	-	-	-	2,119,421
Capital raising costs	(65,933)	-	-	-	-	(65,933)
Balance at 31 December 2019	**10,681,414**	**1,988,085**	**(188,690)**	**(185,771)**	**(11,734,895)**	**560,143**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,445,879	514,493
Payments to suppliers and employees		(3,914,643)	(4,346,952)
Interest received		408	1,122
Interest paid		(15,143)	(6,635)
Net cash (used in) operating activities	9b	**(2,483,499)**	**(3,837,972)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(1,370)	(27,534)
Cash held by the Company at acquisition date		-	15,441
Net cash (used in) investing activities		**(1,370)**	**(12,093)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares		2,053,488	3,391,193
Change in bank overdraft		90,248	(36,754)
Proceeds from convertible loans		-	1,263,830
Repayment of borrowings		(55,738)	(59,122)
Proceeds, net of repayment of Israel Innovation Authority grants		98,313	101,189
Net cash provided by financing activities		**2,186,311**	**4,660,336**
Net (decrease)/increase in cash and cash equivalents		**(298,558)**	**810,271**
Cash and cash equivalents at the beginning of the financial year		584,782	53,983
Impact of movement in foreign exchange rates		(78,466)	(279,472)
Cash and cash equivalents at the end of the financial year	**9a**	**207,758**	**584,782**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial statements were authorised for issue by the board of directors on 30 March 2020.

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.

Basis of preparation of the financial report

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standard Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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

The financial statements, 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 financial statements 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Going Concern

These financial statements have 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 Group incurred a loss for the year ended 31 December 2019 of $1,992,642 (2018: $4,539,064) and net cash outflows from operating activities of $2,483,499 (2018: $3,837,972).

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. As at the date of this report, A$345,000 has been received by way of convertible notes following the Group's decision to acquire Delta Drone South Africa. A further A$259,000 is expected to be received by way of convertible notes in April 2020;
- 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 as at 31 December 2019. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 criterions 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

w) 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.

x) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

y) 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

z) 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 2: 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(y) Predecessor accounting for further information.

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

		2018 US$
a)	**Assets and Liabilities at Acquisition Date**	
	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	(188,690)
b)	**Predecessor Accounting Reserve**	
	Net liabilities of ParaZero Limited at acquisition date	(188,690)
	Predecessor Accounting Reserve	(188,690)

NOTE 3: REVENUE	2019 US$	2018 US$
Major products/service lines		
Revenue from sale of goods	1,007,688	254,184
Revenue from rendering of services	575,855	407,862
Total	1,583,543	662,046
Revenue recognition		
At a point in time	1,583,543	662,046
Over time	-	-
Total	1,583,543	662,046

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4: EXPENSES	**2019**	**2018**
Loss before income tax from continuing operations includes the following specific expenses:	**US$**	**US$**
General and administration expenses:		
- Salaries and payroll related expenses	320,748	225,986
- Advertising and marketing	52,624	109,344
- Office rent, maintenance and communication	25,860	20,201
- Professional services	663,124	620,713
- Other expenses	65,313	52,022
- Non-cash interest expense	-	70,867
Total general and administration expenses	1,127,669	1,099,133
Sales and marketing expenses:		
- Salaries and payroll related expenses	351,877	364,992
- Travel and conferences	92,368	89,692
- Office rent and maintenance	42,116	32,120
- Professional services	142,779	137,675
- Other expenses	10,555	149,561
Total sales and marketing expenses	639,695	774,040
Finance expenses		
- Interest and bank fees	37,812	13,835
- Exchange rate differences	19,852	(25,930)
- Related parties' interest	-	11,400
- Other expenses	36,852	15,085
Total finance expenses	94,516	14,390

NOTE 5: INCOME TAX

The financial accounts for the year ended 31 December 2019 comprise the results of ParaZero Australia and ParaZero Israel. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5% (2018: 27.5%). The applicable tax rate in Israel is 23% (2018: 23%).

	2019	2018
(a) Income tax expense	US$	US$
Current tax	-	-
Deferred tax	-	-
	-	-

(b) The income tax expense for the year can be reconciled to the accounting loss as follows:

	2019	2018
	US$	US$
Loss for the year before tax	(1,992,642)	(4,539,064)
Income tax expense/(benefit)	(547,976)	(1,248,243)
Effect of different tax rate of group entities operating in a different jurisdiction	(75,659)	(128,101)
Effect of expenses that are not deductible in determining taxable income	(12,152)	393,219
Effect of unused tax losses not recognised as deferred tax assets	635,787	983,125
	-	-

Tax losses

Unused tax losses for which no deferred tax asset has been recognised will be subject to the Company satisfying the requirements imposed by regulatory taxation authorities. The benefits of deferred tax assets will only be recognised if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- The conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the Company in realising the benefit.

NOTE 6: RELATED PARTY TRANSACTIONS

a) Key Management Personnel Compensation

The totals of remuneration paid to KMP during the year are as follows:

	2019	2018
	US$	US$
Short-term salary and fees	277,071	192,773
Share based payments	-	640,110
Total KMP Compensation	277,071	832,883

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6: RELATED PARTY TRANSACTIONS

(b) Loans from key management personnel (KMP) and their related parties
There were no loans between the Group and its directors or key management personnel during the year ended 31 December 2019.

Details of loans made to the Group by directors and key management personnel during the year ended 31 December 2018 are set out below:

Name	Balance at 1 Jan 2018 US$	Interest paid and payable for the year US$	Repayments made during the year US$	Converted to equity during the year US$	Balance at 31 Dec 2018 US$
Directors:					
E. Attias	20,000	600	-	(20,600)	-
A. Uvarov (a)	30,000	-	-	(30,000)	-
H. Digby (a)	20,000	-	-	(20,000)	-

(a) Shares were issued in respect of the conversion of ParaZero Limited convertible notes totalling A$30,000 for Dr Uvarov and A$20,000 for Mr Digby on completion of the Company's Initial Public Offer and admission to the ASX Official List. The conversion price was A$0.16 per share (a 20% discount to the offer price of A$0.20).

NOTE 7: AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 US$	2018 US$
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) – Australia	28,184	26,176
- Auditing and reviewing the financial reports (BDO) - Israel	18,500	18,500
	46,684	44,676
Other non-audit remuneration		
- Investigating Accountant's Report (BDO) – Australia	-	13,362
	-	13,362

NOTE 8: LOSS PER SHARE

	2019 US$	2018 US$
Loss per share (EPS)		
a) Loss used in calculation of basic EPS and diluted EPS	(1,992,642)	(4,539,064)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	110,055,249	62,856,651

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 9a: CASH AND CASH EQUIVALENTS	2019	2018
	US$	US$
Cash at bank	207,758	584,782
Total cash and cash equivalents in the statement of cash flows	207,758	584,782

The Group's exposure to the risks associated with cash are disclosed in Note 20.

NOTE 9b: RECONCILIATION OF LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2019	2018
	US$	US$
Loss for the year	(1,992,642)	(4,539,064)
Non-cash flows in loss after income tax		
Non-cash finance expenses	32,737	87,393
Share based payments expense	-	1,361,058
Depreciation	17,201	14,774
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	113,729	(227,960)
Decrease/(increase) in inventory	105,969	(857,631)
(Decrease)/increase in trade and other payables	(373,859)	222,362
(Decrease)/increase in provisions	(386,634)	94,096
Cash flow (used in) operating activities	(2,483,499)	(3,837,972)

Credit Standby Facilities

The Group has a credit standby facility with an Israeli bank in the amount of US$90,248 of which all was drawn down at year end (2018: $55,738).

Non-cash investing and financing activities

There were no other non-cash investing and financing activities during the year.

Reconciliation of cash and non-cash movement in financial liabilities

	2018	Cash flows	Non-cash items	Foreign exchange movement	2019
	US$	US$	US$	US$	US$
Short-term loans	55,738	23,817	-	10,693	90,248
Other financial liability (i)	476,132	-	(358,932)	23,974	141,174

(i) Israel Innovation Authority grants (*previously known as Office of Chief Scientist*).

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT	2019 US$	2018 US$
Accounts receivables	67,912	23,184
Prepaid expenses	60,435	56,225
Other receivables	26,234	188,901
	154,581	268,310

The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. The Group's exposure to the risks associated with trade and other receivables are disclosed in Note 20.

NOTE 11: INVENTORY

	2019 US$	2018 US$
Inventory at cost	751,662	857,631

NOTE 12: PLANT AND EQUIPMENT

	2019 US$	2018 US$
Cost	124,626	123,256
Accumulated depreciation	(46,343)	(29,142)
Net carrying amount	78,283	94,114

Cost or valuation	Office improvements US$	Furniture US$	Computers US$	Total US$
Balance at 1 January 2018	85,835	8,709	1,178	95,722
Additions	8,889	17,944	701	27,534
Balance at 31 December 2018	94,724	26,653	1,879	123,256
Additions	-	-	1,370	1,370
Balance at 31 December 2019	94,724	26,653	3,249	124,626

Accumulated depreciation	Office improvements US$	Furniture US$	Computers US$	Total US$
Balance at 1 January 2018	13,289	696	383	14,368
Depreciation expense	13,259	1,102	413	14,774
Balance at 31 December 2018	26,548	1,798	796	29,142
Depreciation expense	14,221	1,934	1,046	17,201
Balance at 31 December 2019	40,769	3,732	1,842	46,343

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 13: TRADE AND OTHER PAYABLES	**2019**	**2018**
	US$	**US$**
CURRENT		
Trade payables	170,859	301,030
Employees' salaries and related benefits	197,722	211,453
Other payables and accrued expenses	32,138	262,095
	400,719	774,578

The carrying values of trade payables and other payables are considered to approximate fair value. The Group's exposure to the risks associated with trade and other payables are disclosed in Note 20.

NOTE 14: BORROWINGS	**2019**	**2018**
	US$	**US$**
CURRENT		
Short-term bank loans	90,248	55,738
	90,248	55,738

The Group's exposure to the risks associated with borrowings are disclosed in Note 20.

NOTE 15: OTHER FINANCIAL LIABILITIES	**2019**	**2018**
	US$	**US$**
CURRENT		
Liability for Israel Innovation Authority Grants	66,238	100,417
NON-CURRENT		
Liability for Israel Innovation Authority Grants	74,936	375,715

ParaZero Ltd Israel received funding from the Israeli Innovation Authority (IIA) for its participation in research and development costs of ParaZero Ltd Israel, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. ParaZero Ltd Israel is committed to pay royalties to the IIA on proceeds from sale of products in the research and development of which the IIA participates by way of grants. According to the funding terms, royalties of 3%-3.5% are payable on sales of developed products funded, up to 100% of the grant received by ParaZero Ltd Israel, linked to the US dollar and bearing libor interest rate. In the case of failure of a financed project, ParaZero Ltd Israel is not obligated to pay any such royalties to the IIA.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16: ISSUED CAPITAL		**2019**	**2018**
		US$	**US$**
(a) Share Capital			
127,275,427 (31 December 2018: 87,830,391) fully paid ordinary shares	16b	10,681,414	8,627,926

(b) Movement in ordinary capital	**No. of shares**	**Total* (US$)**
Opening balance as at 1 January 2019	87,830,391	8,627,926
Issue of shares (i)	462,409	33,056
Issue of shares (ii)	8,000,000	575,473
Exercise of share options (iii)	149,685	292
Issue of shares (iv)	10,299,998	553,497
Issue of shares (v)	10,279,189	537,041
Exercise of share options (vi)	33,756	62
Issue of shares (vii)	10,219,999	420,000
Capital raising costs	-	(65,933)
Closing balance as at 31 December 2019	**127,275,427**	**10,681,414**

* Due to rounding, the total figures may not precisely reflect absolute figures obtained on multiplying the number of shares issued by the share issue price.

(i) Issue of fully paid ordinary shares at A$0.10 (~US$0.07148) each on 29 January 2019 pursuant to an Entitlement Offer.

(ii) Issue of fully paid ordinary shares at A$0.10 (~US$0.07193) each on 30 January 2019 pursuant to an Entitlement Offer.

(iii) Exercise of unlisted options at A$0.0027 (~US$0.00195) each on 4 February 2019.

(iv) Issue of fully paid ordinary shares at A$0.075 (~US$0.05374) each on 17 April 2019 pursuant to a Placement.

(v) Issue of fully paid ordinary shares at A$0.075 (~US$0.05225) each on 24 June 2019 pursuant to a Placement.

(vi) Exercise of unlisted options at A$0.0027 (~US$0.00184) each on 2 August 2019.

(vii) Issue of fully paid ordinary shares at A$0.06 (~US$0.0411) each on 5 November 2019 pursuant to a Placement.

(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 17: RESERVES	**2019**	**2018**
	US$	**US$**
Share-based payment reserve (i)	1,988,085	1,988,085
Foreign currency translation reserve (ii)	(185,771)	(186,679)
Predecessor accounting reserve (iii)	(188,690)	(188,690)
	1,613,624	1,612,716

(i) Share-based payment reserve

Movements in share-based payment reserve	**31 Dec 2019**	
	No.	**US$**
Opening balance at 1 January 2019	**67,419,609**	**1,988,085**
Exercise of Replacement Options (i)	(183,441)	-
Lapse of Replacement Options (ii)	(66,549)	-
Issue of Placement Options (iii)	2,857,077	-
Cancellation of expired Performance Options (iv)	(15,773,189)	-
Closing balance at 31 December 2019	**54,253,507**	**1,988,085**

(i) Exercise of Replacement Options at A$0.0027 each on 4 February 2019 (149,685) and 2 August 2019 (33,756) respectively. Replacement options were issued for no consideration to replace the options held by employees of ParaZero Ltd (Israel) prior to the Acquisition. The options are exercisable at A$0.0027 expiring on or before 13 June 2023.

(ii) Replacement options lapsed due to the employee leaving the employment of ParaZero Limited.

(iii) Issue of free attaching unlisted options pursuant to Placements; 955,480 unlisted options were issued on 17 April 2019, exercisable at A$0.1125 expiring on or before 17 April 2024, 953,544 unlisted options were issued on 24 June 2019, exercisable at A$0.1125 expiring on or before 24 June 2024 and 948,053 unlisted options were issued on 5 November 2019, exercisable at A$0.09 expiring on or before 5 November 2019.

(iv) 2,247,971 Class A, 6,962,609 Class B and 6,562,609 Class C Performance Options which were either issued to employees who are no longer employed by ParaZero Limited or were to be allocated to new employees who have not taken up their positions, were cancelled with an effective date of 30 June 2019.

(ii) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

(iii) Predecessor accounting reserve

The predecessor accounting reserve arises from the capital reorganisation and records the net liabilities of ParaZero Ltd (Israel) as at the acquisition date of 13 June 2018.

NOTE 18: SHARE BASED PAYMENTS

There were no share-based payments arrangements entered into by the Group during the financial year ended 31 December 2019.

Options issued in prior periods:

- On 13 June 2018, the Company issued 4,000,000 Options exercisable at $A.30 on or before 13 June 2021 to the lead manager and other seed investors, escrowed for 24 months ("**Broker Options**").
- On 13 June 2018, the Company issued 55,000,000 performance options exercisable at $0.20 on or before 13 June 2023 to Mr Eden Attias and other management personnel, also escrowed for 24 months ("**Performance Options**"). These Performance Options vest and become exercisable in three (3) tranches, subject to the following performance conditions:
    - **Class A** - one third of the Performance Options will vest and become exercisable upon the Group achieving aggregate revenue of US$1,500,000 from total sales of products based on the Technology in a Year;
    - **Class B** - one third of the Performance Options will vest and become exercisable upon satisfaction of either one of the two sub-conditions:
        - the Group achieving aggregate revenue of US$4,000,000 from total sales of products based on the Technology in a Year; or
        - the 14-trading day volume weighted average price of the Company shares has increased in value by more than 300% from the IPO price.
    - **Class C** - one third of the Performance Options will vest and become exercisable upon satisfaction of either one of the two -sub conditions:
        - the Group achieving aggregate revenue of US$8,000,000 from total sales of products based on the Technology in a Year; or
        - the 14-trading day volume weighted average price of the Company shares has increased in value by more than 500% from the IPO price.

  The term "Year" shall mean one of: (a) the time period commencing 1 July 2018 and ending on the 12-month anniversary of the completion of the IPO; (b) the 12-month period immediately after the end of the first Year; and (c) the 12-month period immediately after the end of the second Year.

The Broker Options vested immediately on issue and thus the whole amount was recorded as a share-based payment in the 2018 financial year. As the options were granted for services rendered in respect of the IPO, the amount is treated as a capital raising cost, and capitalised against the share capital raised. Due to the specialised nature of the services rendered, management do not consider it possible to determine their value, and thus the cost recorded is the fair value of the options granted.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 18: SHARE BASED PAYMENTS (cont'd)

Share Based Payments Expense

Share based payment expense at 31 December 2019 is comprised as follows:

	2019 US$	2018 US$
ESOP performance options	-	1,311,058
Share option plan	-	57,000
Total expense recognised in profit or loss	-	1,368,058
Issue of 4,000,000 options to lead broker, deemed capital raising cost	-	279,027
Total expense recognised in equity	-	279,027
Total share-based payments expense	-	1,647,085

NOTE 19: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

NOTE 20: FINANCIAL INSTRUMENTS

(a) Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Group's approach to capital management during the year.

(b) Categories of financial instruments

Financial assets	2019 US$	2018 US$
Cash and cash equivalents	207,758	584,782
Trade and other receivables	81,097	212,086
	288,855	796,868
Financial liabilities		
Trade and other payables	400,719	774,578
Long-term loans	90,248	55,738
Other financial liability	141,174	476,132
	632,141	1,306,448

The fair value of the above financial instruments approximates their carrying values.

NOTE 20: FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management policies

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of those risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

(d) Market risk

Market risk for the Group arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see (e) below).

(e) Interest rate risk management

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in Profit US$	Movement in Equity US$
Year ended 31 December 2019		
+/-1% in interest rates	2,078	2,078
Year ended 31 December 2018		
+/-1% in interest rates	5,848	5,848

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rates its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(g) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 20: FINANCIAL INSTRUMENTS (cont'd)

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date excluding interest payments:

2019	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US$	US$	US$	US$	US$	US$	US$
Trade and other payables	-	400,719	-	-	-	-	400,719	400,719
Long-term loans	7.75%	-	90,248	-	-	-	90,248	90,248
		400,719	90,248	-	-	-	490,967	490,967

2018	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US$	US$	US$	US$	US$	US$	US$
Trade and other payables	-	774,579	-	-	-	-	774,579	774,579
Long-term loans	4.48%	-	55,738	-	-	-	55,738	55,738
		774,579	55,738	-	-	-	830,317	830,317

(h) Net fair value of financial assets and liabilities

Fair value estimation

Due to the short-term nature of the receivables and payables the carrying value approximates fair value.

(i) Foreign currency risk

The currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar (the functional currency of the subsidiary company), the New Israeli Shekel, the Australian Dollar (functional currency of the Parent company).

NOTE 21: PARENT ENTITY FINANCIAL INFORMATION

The following information of the legal parent ParaZero Limited has been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

(a) Financial Position of ParaZero Limited

	2019 US$	2018 US$
ASSETS		
Current assets	104,716	408,644
Non-current assets	-	-
TOTAL ASSETS	**104,716**	**408,644**
LIABILITIES		
Current liabilities	74,641	28,224
Non-current liabilities	-	-
TOTAL LIABILITIES	**74,641**	**28,224**
NET ASSETS	**30,075**	**380,420**
SHAREHOLDERS' EQUITY		
Issued capital	9,619,698	7,566,210
Reserves	824,720	1,135,809
Accumulated losses	(10,414,343)	(8,321,599)
SHAREHOLDERS' EQUITY	**30,075**	**380,420**

(b) Statement of profit or loss and other comprehensive income

Loss for the year	(311,337)	(1,692,381)
Intercompany impairment expense	(8,410,625)	(6,629,218)
Other comprehensive income	-	-
Total comprehensive loss	(8,721,962)	(8,321,599)

(c) Guarantees entered into by ParaZero Limited for the debts of its subsidiary

There are no guarantees entered into by ParaZero Limited.

(d) Contingent liabilities of ParaZero Limited

There were no contingent liabilities as at 31 December 2019 (2018: nil).

(e) Commitments by ParaZero Limited

There were no commitments as at 31 December 2019 (2018: nil).

NOTE 22: CONTROLLED ENTITIES

The ultimate legal parent entity of the Group is ParaZero Limited, incorporated and domiciled in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

Controlled entity	Country of Incorporation	Percentage Owned	
		2019	**2018**
ParaZero Ltd	Israel	100%	100%

The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 23: COMMITMENTS

At the reporting date, there were known commitments (2018: nil).

NOTE 24: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 31 December 2019 (2018: nil).

NOTE 25: EVENTS AFTER THE REPORTING PERIOD

On 3 February 2020, ParaZero issued A$175,000 worth of convertible notes.

On 12 March 2020, ParaZero executed a Letter of Intent with Delta Drone South Africa ("Delta Drone") to acquire the business of Delta Drone, a company incorporated in South Africa. Delta Drone is a wholly owned subsidiary of Delta Drone SA (EPA: ALDR) ("Delta Group"), a French incorporated company engaged as a leading international player in the field of civilian drones for professional use. The proposed acquisition of Delta Drone has the potential to bolster ParaZero's bottom line and underpin R&D activities. It is an opportunity to expand ParaZero's activities into South Africa and gain new strategic customers everywhere in the world where Delta Group exists.

On 18 March 2020, ParaZero issued A$170,000 worth of convertible notes.

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.

There were no other material events after the reporting period other than the above.

NOTE 26: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

New, revised or amending Accounting Standards and Interpretations issued and adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 *Leases*
- Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

AASB 16 *Leases*

In the current year, the Group has applied AASB 16 *Leases*, which is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The new accounting policy adopted by the Group is disclosed at Note 1(f).

The Group does not currently have any leases that would require recognition of a right-of-use asset in the current reporting period.

Interpretation 23 *Uncertainty over Income Tax Treatments*

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group.
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings;
    - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The adoption of this Interpretation has had no significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

New and revised Australian Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	**Effective for annual reporting periods beginning on or after**
AASB 17 *Insurance Contracts*	1 January 2021
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020

DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 18 to 48 are in accordance with the *Corporations Act 2001*, including:

   a) complying with *Australian Accounting Standards, Corporations Regulations 2001* and other mandatory professional reporting requirements, noting the matters documented in Note 1 (a);

   b) giving a true and fair view, the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

B.Gen (ret) Eden Attias
Executive Chairman/Chief Executive Officer
Tel Aviv, 30 March 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Parazero Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Parazero Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Inventory

Key audit matter	*How the matter was addressed in our audit*
Inventories, as disclosed in Note 11 of the financial report, are a material asset of the Group. The accounting policy for inventories is outlined in Note 1 (k). In accordance with Accounting Standard AASB 102 *Inventories*, inventories shall be measured at the lower of cost and net realisable value. This area has been determined to be a key audit matter due to the significance of inventory to the financial position of the Group and the judgment and complexity involved in the net realisable value of inventory.	Our procedures included, but were not limited to: • Assessing the net realisable value of inventories, by selecting items on a sample basis and comparing to the estimated selling price (less estimated costs of completion and any estimated selling costs); • Reviewing management's assessment of net realisable value; • Making enquiries of management regarding obsolete and slow moving inventory items, including inspecting the condition of inventory on hand to confirm saleability; and • Assessing the adequacy of the related disclosures in Notes 1(k) and 11 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Parazero Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 30 March 2020

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 30 March 2020 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations 3rd Edition (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at www.parazero.com/corporate-governance/

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- overseeing the Company, including its control and accountability systems;
- appointment, evaluation, rewarding and if necessary, the removal of the Chief Executive Officer (or equivalent), the Company Secretary and senior management personnel;
- ratifying the appointment, and where appropriate, the removal, of senior executives;
- in conjunction with members of the senior management team, develop corporate objectives, strategies and operations plans and approve and appropriately monitor plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the executive Directors to allow them to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company, including the reviewing and approving of annual budgets;
- monitoring the performance of senior management, including the implementation of strategy, and ensuring appropriate resources are available to them;
- identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- reporting accurately to shareholders, on a timely basis; and

- ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Practices;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management Review Procedure and Internal Compliance and Control;
  - Securities Trading Policy; and
  - Shareholders Communication Strategy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Chief Executive Officer responsibility for the management and operation of ParaZero. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of ParaZero within the powers authorised to him from time-to-time by the Board. The Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Plan available on the ParaZero website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if considered appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 0%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Chief Executive Officer against agreed key performance indicators.

The Chief Executive Officer conducts an annual performance assessment of senior executives against agreed key performance indicators

During the year ended 31 December 2019, no formal appraisal of the Board or Chief Executive Officer was conducted. However, the Company underwent a Board restructure during this period, at which time, the Board assessed the necessary skills of its directors in making the decision as to the most suitable appointment and structure for the Board.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

During the financial year and as at the date of this report the Board was comprised of the following members:

Mr Eden Attias	Executive Chairman & Chief Executive Officer (appointed 13 June 2018)
Mr Dan Arazi	Non-Executive Director (appointed 13 June 2018)
Mr Stephen Gorenstein	Non-Executive Director (appointed 17 October 2018)
Ms Charis Law	Non-Executive Director (appointed 15 March 2018; ceased 1 September 2019)
Mr Chris Singleton	Non-Executive Director (appointed 1 January 2019)

The Board comprises of the majority of Non-Executive Directors.

ParaZero has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. The Board considers Messrs Arazi, Gorenstein and Singleton to be independent.

Mr Attias is not considered to be independent as he is an executive director of the Company.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern ParaZero. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board will establish a Board Skills Matrix. The Board Skills Matrix will include the following areas of knowledge and expertise:

- strategic expertise;
- specific industry knowledge;
- accounting and finance;
- risk management;
- experience with financial markets; and
- investor relations.

The Board has not implemented a skills matrix during the year ending 31 December 2019 but it did review the necessary skills for the Board in determining the Board appointments and resignations during the year.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary, or in their absence, the Chairman. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend ParaZero's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Chief Executive Officer are to be circulated to and reviewed by all members of the Board.

The Chairman/Chief Executive Officer, the Board and the Company Secretary are responsible for ensuring that:

a) company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

All announcements are clearly noted as to the authorising officer and in general, all announcements are authorised for release by the Board.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Corporate Directory" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from ParaZero and ParaZero's securities registry electronically. The contact details for the registry are available on the "Corporate Directory" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout ParaZero's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. ParaZero has established policies for the oversight and management of material business risks.

ParaZero's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

ParaZero believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, ParaZero is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

ParaZero accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather, ParaZero's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

ParaZero assesses its risks on a residual basis; i.e. it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, ParaZero applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage ParaZero's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

In December 2019, the Board adopted a Whistleblower Policy to not only meet the Company's legal obligations to do so but further support and manage the risk of the Company.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of ParaZero's management of its material business risks at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfills to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

ParaZero has implemented a Remuneration Policy which was designed to recognise the competitive environment within which ParaZero operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in ParaZero's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of ParaZero.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity-based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Chief Executive Officer, Non-Executive Directors and senior management based on an annual review.

ParaZero's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration for Non-Executive Directors is $300,000 per annum as disclosed within the Company's constitution which may be varied from time to time by the Shareholders in general meeting. The total fees paid to Non-Executive Directors during the reporting period were $132,222. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short- and long-term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 19 March 2020.

As at 19 March 2020, there were 309 holders of Ordinary Fully Paid Shares.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options and performance options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Holder Name	Holding	% IC
Capricorn Investment Partners (Nominees) Pty Ltd <Merchant Leaders Fund>	24,417,857	19.19
010 Yazamut Ltd	23,959,727	18.83
Meah Plus Maarchot Betichot Le'Rachfanim LP	17,379,649	13.66
Ran Kraus	10,493,383	8.24
Adfect Aps	5,107,395	4.01
Amir Tsaliah	3,523,386	2.77
Ronald Zelazo <Revocable A/C>	3,238,622	2.54
Carjay Investments Pty Ltd	2,500,000	1.96
Ronald Zelazo	2,433,333	1.96
Jetmax Trading Pty Ltd	1,681,250	1.32
Dumanis Investments Ltd	1,295,449	1.02
Carjay Investments Pty Ltd	1,093,750	0.86
The Trust Company (Australia) Limited <Mof A/C>	1,024,500	0.80
Auto Management Pty Ltd <The Branchi Family A/C>	1,000,000	0.79
Hsbc Custody Nominees (Australia) Limited	931,666	0.73
Rob Rubin	900,368	0.71
Peterlyn Pty Ltd <Rpc Salmon Super Fund A/C>	875,264	0.69
Ibi Trust Management <Employee Option A/C>	844,100	0.66
Intervest Hk Limited	831,250	0.65
Chemic Engineering And Safety Ltd	803,205	0.63
Totals	**104,334,154**	**81.97**

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 19 March 2020 are:

Name	No of Shares Held	% of Issued Capital
010 Yazamut Ltd	22,539,727	21.12
Merchant Funds Management Pty Ltd as manager of Merchant Opportunities Fund	23,041,166	19.68
Meah Plus Maarchot Betichot Le'Rachfanim LP	17,379,649	14.85
Ran Kraus	10,493,383	9.83

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	3	2,010	0.00%
1,001 - 5,000	15	53,520	0.04%
5,001 - 10,000	100	962,586	0.76%
10,001 - 100,000	108	4,802,246	3.77%
100,001 - 9,999,999,999	83	121,455,065	95.43%
Totals	**309**	**127,275,427**	**100.00%**

Unmarketable Parcels – 122 Holders with a total of 1,063,995 shares, based on the last trading price of $0.036 on 31 January 2020.

RESTRICTED SECURITIES

As at 19 March 2020, the following shares are subject to escrow:

35,300,063	Ordinary Fully Paid Shares escrowed until 22 June 2020
6,387,692	Unlisted Options Expiring 13 June 2023 @ $0.0027 escrowed until 22 June 2020
4,000,000	Unlisted Options Expiring 13 June 2021 @ $0.30 escrowed until 22 June 2020
14,000,000	Class A Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020
8,000,000	Class B Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020
8,000,000	Class C Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020

UNQUOTED SECURITIES

As at 19 March 2020, the following unquoted securities are on issue:

1,781,927 Unlisted Options Expiring 13 June 2023 @ $0.0027 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
IBI Trust Management <Employee Option A/C>	1,781,927	100.00%

6,387,692 Unlisted Options Expiring 13 June 2023 @ $0.0027 escrowed until 22 June 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
EATC International Ltd	5,598,837	87.65%

4,000,000 Unlisted Options Expiring 13 June 2021 @ $0.30 escrowed until 22 June 2020 – 17 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Intervest HK Limited	800,000	20.00%

14,000,000 Class A Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Eden Attias	8,000,000	57.14%
Amir Tsaliah	6,000,000	42.86%

8,000,000 Class B Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Eden Attias	5,000,000	62.50%
Amir Tsaliah	3,000,000	37.50%

8,000,000 Class C Performance Options Expiring 13 June 2023 @ $0.20 escrowed until 22 June 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Eden Attias	5,000,000	62.50%
Amir Tsaliah	3,000,000	37.50%

2,085,363 Class A Performance Options Expiring 13 June 2023 @ $0.20 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
IBI Capital	2,085,363	100.00%

3,370,724 Class B Performance Options Expiring 13 June 2023 @ $0.20 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
IBI Capital	3,370,724	100.00%

3,770,724 Class C Performance Options Expiring 13 June 2023 @ $0.20 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
IBI Capital	3,770,724	100.00%

955,480 Unlisted Options Expiring 17 April 2024 @ $0.1125 – 14 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Capricorn Investment Partners (Nominees) Pty Ltd <Merchant Leaders Fund A/C>	618,430	64.72%

953,544 Unlisted Options Expiring 24 June 2024 @ $0.1125 – 5 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Meah Plus Maarchot Betichot Le'Rachfanim LP	823,673	86.38%

948,053 Unlisted Options Expiring 5 November 2024 @ $0.09 – 5 Holders

Holders with more than 20%

Holder Name	Holding	% IC
010 Yazamut Ltd	270,872	28.57%
Adfect APS	225,727	23.81%
Ronald Zelazo	225,727	23.81%
Capricorn Investment Partners (Nominees) Pty Ltd <Merchant Leaders Fund A/C>	225,745	23.81%

ON-MARKET BUY BACK

There is currently no on-market buyback program.

ASX LISTING RULE 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing of the Company's securities to quotation in a way consistent with its business objectives.