
PARAZERO LIMITED

ACN 618 678 701

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 4.00pm (AEST)
DATE: Tuesday, 28 July 2020
PLACE: By Virtual Meeting Facility

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (AEST) on Sunday, 26 July 2020.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the Shareholders of ParaZero Limited (the **Company**) will be held on Tuesday 28 July 2020 commencing at 4.00pm (AEST) (the **Meeting**). Given the current restrictions imposed by the Australian Federal and State Governments to deal with COVID-19, it will not be possible to attend the meeting in person.

Accordingly, the meeting will be held as a Virtual Meeting. Shareholders will be able to participate in the meeting by listening, asking questions and voting on the resolutions. **Shareholders are strongly encouraged to** cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 5 of this Notice to ensure their votes are counted.

The Explanatory Memorandum that accompanies this Notice provides additional information on the matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

Should circumstances further change between the date of this Notice of Meeting and the proposed time of the Meeting, the Directors will further update Shareholders with the proposed next steps

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2019 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 December 2019."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement:

To the extent required by section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration details are included in the Remuneration Report, or their Closely Related Parties.

However, a person (the **Voter**) may cast a vote as a proxy if the vote is not cast on behalf of such a member or their Closely Related Parties and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (b) the Voter is the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting on Resolution 1; and
 - (ii) the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

Shareholders should note that the Chairman intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chairman to vote against Resolution 1 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DAN ARAZI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Dan Arazi, being a Director of the Company, who retires by rotation in accordance with Listing Rule 14.5 and clause 14.2 of the Company’s Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

4. RESOLUTION 3 – RATIFICATION OF PLACEMENT SHARES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 10,219,999 Shares and 948,053 Options on 5 November 2019 on the terms set out in the Explanatory Statement.”

Voting exclusion statement:

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who participated in the issue the subject of Resolution 3 or an Associate of those persons. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person acting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting acting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. RESOLUTION 4 – APPROVAL OF NOTES BECOMING CONVERTIBLE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve:

- (a) the Notes becoming convertible in accordance with their terms; and*
- (b) the issue of Conversion Shares to the Noteholders on conversion of the indebtedness under the Notes to Shares in accordance with the terms of the Notes,*

for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting exclusion statement:

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of the Noteholders or an Associate of the Noteholders and any other person who will obtain a material benefit as a result of the conversion of Notes except a benefit solely in the capacity as a holder of ordinary securities, or an Associate of those persons. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person acting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chairman of the Meeting acting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

6. RESOLUTION 5 – AMENDMENT TO CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, the Constitution of the Company be amended as set out in the amended Constitution tabled at the Meeting and signed by the Chairman of the Meeting”.”

7. RESOLUTION 6 – RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, the proportional takeover approval provisions contained in clause 36 of the Company’s Constitution and set out in Annexure C be renewed for a period of three years commencing on the date this resolution is passed.”

8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement:

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who is expected to participate in the proposed issue or who will obtain a material benefit as a result of the proposed issue (except a benefit solely in the capacity of a holder of ordinary securities) or an Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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Dated: 25 June 2020

By order of the Board



Stephen Buckley
Company Secretary

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- In person at Automic, Level 5, 126 Phillip Street, Sydney NSW 2000;
- By post to Automic, GPO Box 5193, Sydney NSW 2001;
- By facsimile to +61 (0)2 8583 3040;
- By scan and email to meetings@automicgroup.com.au; or
- By following the directions on the Proxy Form.

All proxy forms must be received by the Company not later than **4.00pm (AEST) on Sunday, 26 July 2020**.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

In addition:

- if a proxy is given by a body corporate, a Proxy Form must be executed in writing under the common seal of the corporation or otherwise in accordance with section 127 of the Corporations Act or signed by an attorney;
- if a proxy is given by a natural person, a Proxy Form must be executed under the hand of that person or that person's attorney;
- to be effective, the Proxy Form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding the Meeting or any adjourned Meeting; and
- any Proxy Form received after this deadline will be treated as invalid.

Voting in person

In light of the current social distancing restrictions relating to COVID-19, the Company has decided to hold the Meeting via a Virtual Meeting. Shareholders can join the meeting by following the instructions set out below.

All resolutions to be considered at the Meeting will be decided by poll based on both proxy votes received prior to the commencement of the Meeting and votes cast via the online voting facility during the Meeting. Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out above.

Voting online via Virtual Meeting

The Company invites shareholders to attend and participate in a virtual Meeting through an online meeting platform powered by 'Lumi' (**Virtual Meeting**).

Shareholders who attend the Virtual Meeting will be able to watch, listen, submit written questions and participate in all poll votes put to the Meeting.

To vote online at the Virtual Meeting, attend the Virtual Meeting at the date and time set out in this Notice, being 4.00pm AEST on 28 July 2020, by following the instructions below:

1. Open your internet browser and go to web.lumiagm.com/344570224. Alternatively, the Lumi AGM app can be downloaded for free from Apple or Google Play stores.
2. Enter the Meeting ID: 344-570-224.
3. Enter your SRN or HIN, along with your registered postcode when prompted.

Further information and support on how to use the Virtual Meeting platform is available on the Company's website.

You may still attend the meeting and vote at the Virtual Meeting even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance at the Virtual Meeting will not revoke your proxy appointment unless you actually vote at the meeting for which the proxy is proposed to be used, in which case, the proxy's appointment will be deemed to be revoked with respect to voting on that resolution.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. An appointment of corporate representative form can be obtained by via the Company's share registry website – www.automic.com.au

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6189 1155.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Shareholders should read this statement and the Notice in full before deciding how to vote on the Resolutions set out in the Notice. All resolutions to be considered at the Meeting will be decided by poll based on both proxy votes received prior to the commencement of the Meeting and votes cast via the online voting facility during the Meeting. Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 5 of this Notice.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2019 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

There is no requirement for shareholders to vote on these statements and reports. Shareholders will be given a reasonable opportunity to raise questions and make comments on these reports and on the management of the Company at the Meeting.

Representatives of the Company's Auditor will be present for discussion purposes on matters of relevance to the audit.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <https://parazero.com/investor-relations/asx-announcements/>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

The Remuneration Report for the financial year ended 31 December 2018 did not receive a vote of more than 25% against its adoption at the Company's 2019 annual general meeting held on 31 May 2019. Accordingly, if at least 25% of the votes cast on Resolution 1 are against adoption of the Remuneration Report it will not result in the Company putting a Spill Resolution to Shareholders.

2.1 Directors Recommendation

The Board recommends that Shareholders vote in favour of Resolution 1. The Board encourages Shareholders to apply the same level of diligence to voting on this Resolution as for the binding Resolutions. The Chair of the Meeting intends to vote all available proxies in favour of Resolution 1.

3. RESOLUTION 2 - RE-ELECTION OF DAN ARAZI

3.1 General

Pursuant to the Clause 14.2 of the Company's Constitution and ASX Listing Rule 14.5, at every annual general meeting an election of Directors must take place.

For this reason, Dan Arazi retires by way of rotation and, being eligible, offers himself for re-election as a Director.

3.2 Election of Dan Arazi

Mr Arazi, who has served as a Director since 13 June 2018, retires by rotation and seeks re-election.

(a) Qualifications and other material directorships

Dan (Danny) Arazi is a serial entrepreneur and has been involved with two successful businesses: Orkit Communications (NASDAQ: ORCT) - world leader of ADSL broadband systems which traded on Nasdaq at a market cap of \$1.2 B; and Siliquent LTD which was acquired by Broadcom Inc.

Mr Arazi is an active Business Angel and he is President of Keiretsu Forum Israeli Chapter. He is also an active member of the Investment Committee at 100 Plus Angels Club, the largest Angels group in Israel.

Mr Arazi is an active sports pilot and Chairman of The Israel Aeroclub Association.

(b) Independence

If elected the Board considers that Mr Arazi will be an independent director.

(c) Directors recommendation

The Directors support the re-election of Mr Arazi and recommend that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 - RATIFICATION OF PLACEMENT SHARES AND OPTIONS

4.1 General

On 24 October 2019, the Company announced that it had resolved to undertake a placement to raise up to \$642,000 (before costs) (**Placement**). The funds raised from the issue of the Placement were used towards the cost of the Placement, to fund product inventory and for general working capital.

On 5 November 2019 (**Issue Date**), the Company issued 10,219,999 Placement Shares at an issue price of \$0.06 per share with one free attaching Option issued for every 10.78 Placement Share issued (rounded up to the nearest number) being 948,053 options

expiring 5 November 2024 at an exercise price of \$0.09 per share and issued on the terms contained in Annexure A.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The Issue does not fit within any of these exceptions and, it has not yet been approved by ParaZero Limited's (**ParaZero**) shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing ParaZero's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

ParaZero wishes to retain as much flexibility as possible to issue additional securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 3 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.4.

If Resolution 3 is passed, the issue of the Placement Shares and Options are taken to have been approved under ASX Listing Rule 7.1 and so do not reduce the Company's 15% capacity to issue further equity securities without Shareholder approval under that rule.

The Board will only undertake further issues of equity securities if they consider it is in the best interests of the Company to do so.

If Resolution 3 is not passed, the issue of the Placement Shares and Options will be included in calculating the Company's 15% capacity in ASX Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date the Company issued those Shares.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 10,219,999 Placement Shares and 948,053 Placement Options were issued;
- (b) the issue price was \$0.06 per Share and nil per Option (as the Options were issued free attaching with the Placement Shares on the basis of 1 for 10.78 shares issued with fractions rounded up);
- (c) the Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Options issued are on the terms and conditions set out in Annexure A;
- (e) the Placement Shares and Options were issued to sophisticated and professional investors comprising the Placement Participants (or their nominees), none of whom are related parties of the Company. The participants were identified and selected by the directors of the Company. Participants that are substantial holders (10%) of the Company included: Merchant Funds Management Pty Ltd and O10 Yazamut Ltd. These substantial holders do not have any nominees appointed to the Company's Board of Directors; and
- (f) the funds raised from this issue were used in accordance with the table set out below:

Expense Type	Amount AUD
Research and Development	21,664
Product manufacturing and operating costs	91,445
Advertising and Marketing	30,870
Staff costs	301,120
Administration and Corporate costs	196,901
Total	642,000

The Company did not pay any introduction fees or similar to third party providers in connection with the Placement.

4.3 Directors Recommendation

The Directors consider the Placement to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 3 to give effect to the Placement.

5. RESOLUTION 4 - APPROVAL OF NOTES BECOMING CONVERTIBLE

5.1 Background

The Company has issued Notes as follows:

- 175,000 Notes on 3 February 2020;
- 170,000 Notes on 18 March 2020;
- 144,500 Notes on 9 April 2020;
- 40,000 Notes on 30 April 2020; and
- 114,500 Notes on 18 May 2020.

The Notes are unsecured debt instruments of the Company (comprising a loan from the relevant Noteholders to the Company) and do not carry any rights to conversion into Shares unless and until receipt of Shareholder approval at a general meeting of the Company to (amongst other things) approve the issue of the Shares to be issued upon conversion of the Notes for the purpose of the ASX Listing Rules. Following the receipt of the required shareholder and regulatory approvals, the Notes are convertible into ordinary shares in the capital of the Company in accordance with their terms.

Of the Notes which have been issued as detailed above, 504,000 Notes were issued to Delta Drone SA, which is the counterparty to the proposed transaction to acquire Delta Drone South Africa, which was announced to ASX on 12 March 2020. Subject to receipt of Shareholder approval under this Resolution 4, each Note shall automatically be converted into ordinary shares immediately upon the Company announcing to ASX the completion of the acquisition of Delta Drone South Africa and the Company's relisting process. Subject to receipt of Shareholder approval under this Resolution 4, where completion of the acquisition does not occur prior to the relevant Redemption Date (being 6 months the date of the Convertible Note Deed), the subscriber may elect between the conversion or redemption of such Notes. On conversion, the shares issued to the subscriber will be fully paid ordinary shares and rank equally with other existing ordinary shares in the Company. The purpose of the issue of these Notes was for ongoing working capital funding purposes, and all of the funds received by the Company under the Notes are bridging capital to enable the Company to fund its transaction costs and working capital needs requirements prior to its relisting. The Company intends to seek approval from its shareholders at an Extraordinary General Meeting (to be held later this

year) in relation to its proposed acquisition of Delta Drone South Africa and related transactions, including in relation to the proposed issue of securities to Delta Drone SA.

The below table outlines the key terms of the Notes:

Term	Summary
Face Value	\$1.00
Interest	Non-interest bearing
Security	The Notes are unsecured debt obligations of the Company.
Redemption Date	The Notes have a redemption date of 3 August 2020.
Condition Precedent to Conversion	All necessary shareholder approvals being received for the issue of the Conversion Shares, including under ASX Listing Rule 7.1.
Conversion	Subject to shareholder approval having been obtained, each Convertible Note shall automatically be converted into Shares immediately upon the Company announcing to ASX the Completion of the Acquisition on or before the Redemption Date. Where completion of the acquisition does not occur prior to the relevant Redemption Date, the subscriber may elect between the conversion or redemption of such Notes.
Conversion Bonus	Where the Convertible Note is converted into Shares in accordance with this Deed, the Subscriber shall be entitled to receive a bonus number of Shares (Bonus Shares) equal to 10% of the Subscription Sum at the Conversion Price in addition to the Shares issued on conversion of the Convertible Note.
Conversion Price	The Conversion Price is equal to \$0.06 (six cents).
Number of Conversion Shares	The number of Conversion Shares to be issued on conversion of the Notes is calculated as follows: $\frac{A}{B}$ where: A = the Principal Money of the total number of Notes noted in the Conversion Notice; and B = the Conversion Price.
Number of Bonus Shares	The number of Bonus Shares to be issued on conversion of the Notes is calculated as follows:

Term	Summary
	$\frac{A * 10\%}{B}$ <p>where:</p> <p>A = the Principal Money of the total number of Notes noted in the Conversion Notice; and</p> <p>B = the Conversion Price.</p>
Redemption	Where the Notes have not been earlier converted, the Notes must be redeemed on the Redemption Date.
Events of Default	<p>(a) The Company fails to pay within five Business Days of its due date any amount payable under this Deed.</p> <p>(b) Other standard events of default for an agreement of this nature.</p>
Effect of Default	<p>If an Event of Default occurs, the Subscriber may then or at any time subsequently by notice to the Company:</p> <p>(a) declare all money owing under this Deed to be immediately due and payable, and the Company must immediately pay that money (including any accrued interest and fees) and cash cover for the full amount of any money contingently owing under this Deed; and/or</p> <p>(b) cancel its obligations (if any) under this Deed.</p>

Under Resolution 4, the Company is seeking Shareholder approval for the issue of Conversion Shares to the Noteholders on conversion of the indebtedness under the Notes to Shares in accordance with the terms of the Note.

In the event that either shareholders do not approve the Notes becoming convertible or the Noteholders elect to redeem the Notes, the Company intends to fund the redemption of the Notes by a combination of:

- (a) its existing cash reserves (including funds held as cash at bank);
- (b) a capital raising utilising its existing placement capacity under Listing Rules 7.1 and 7.1A; and
- (c) further debt funding.

5.2 Technical information required by ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Notes issued on 3 February 2020 were issued utilising the Company's 15% capacity available under Listing Rule 7.1. Excluding the Notes issued on 3 February 2020, the

maximum number of Shares which the remaining Notes are capable of being converted into will exceed the 15% limit in Listing Rule 7.1. It therefore requires the approval of the Company's Shareholders under Listing Rule 7.1. However, the Company is seeking shareholder approval to issue the underlying equity securities for all of the Notes in section 5.1 above, being the Conversion Shares.

If Resolution 4 is passed:

- (a) the Notes will become convertible in accordance with their terms; and
- (b) the Company will be able to issue the Conversion Shares and Bonus Shares on conversion of the Notes in accordance with the terms of the Notes.

In addition, the issue of the Conversion Shares and Bonus Shares on conversion of the Notes will be excluded from the calculation of the number of Equity Securities that the Company can issue without shareholder approval under Listing Rule 7.1.

If Resolution 4 is not passed, the Notes will not become convertible in accordance with their terms and will remain as unsecured debt obligations of the Company. In addition, the Notes will not be able to be converted meaning that they must be redeemed on the Redemption Date in accordance with the terms of the Note.

5.3 Information required by Listing Rule 7.3

In compliance with the information requirements of Listing Rule 7.3, Shareholders are advised of the following information in relation to Resolution 4:

(a) Names of the persons to whom the Shares will be issued or the basis on which those persons will be identified

The Notes were issued to the Noteholders, being professional and sophisticated investors.

The Noteholders include:

- Delta Drone SA - \$504,000 (\$135k on 3/2/20, \$140k on 18/3/20, \$114,500 on 9/4/20 and \$114,500 on 18/05/20);
- Capricorn Investment Partners - \$100,000 (\$40k on 3/2/20, \$30k on 18/03/20 and \$30k on 9/4/20); and
- Meah Plus Maarchot Betichot - \$40,000 on 30/4/20,

(each of Delta Drone SA, Capricorn Investment Partners and Meah Plus Maarchot Betichot being the "Noteholders")

The Conversion Shares will be issued to the Noteholders upon conversion of the Notes.

As stated above, the purpose of this issue of Notes was for ongoing working capital funding purposes to enable the Company to fund its transaction costs and working capital needs requirements prior to its relisting.

(b) The number of and class of securities to be issued

The Company has issued 644,000 Notes, each with a face value of \$1.00.

Provided that Shareholders approve Resolution 4, the Notes will be convertible into Conversion Shares by the Noteholders at a conversion price of \$0.06 per share and in addition the Noteholder will receive Bonus Shares equivalent to 10% of the Note value at a conversion price of \$0.06 per share upon conversion of their Notes.

The number of Conversion Shares to be issued is equal to the face value of each Note (being \$1.00), multiplied by the number of Notes converted and divided by the conversion price.

Provided that Shareholders approve Resolution 4 and the Noteholders elect to convert the entire \$644,000 in Notes, the maximum number of Shares to be issued will be 10,733,336 Conversion Shares and 1,073,336 Bonus Shares.

(c) Summary of the material terms of the Securities

A summary of the material terms of the Notes is set out in section 5.1 of this Explanatory Statement.

The Conversion Shares and Bonus Shares will be fully paid, ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all of the existing ordinary Shares on issue.

(d) Date of issue

The Company has issued Notes on the following dates:

- 175,000 Notes on 3 February 2020;
- 170,000 Notes on 18 March 2020;
- 144,500 Notes on 9 April 2020;
- 40,000 Notes on 30 April 2020; and
- 114,500 Notes on 18 May 2020.

Conversion Shares and Bonus Shares will be issued upon the conversion of the Notes, but in any event no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(e) Issue price

The Notes were issued with a face value of \$1.00.

The Conversion Shares and Bonus Shares will be issued at a conversion price of \$0.06 (six cents) per share.

(f) The use of the funds raised

The Company has applied the funds in accordance with the table set out below:

Expense Type	Amount AUD
Research and Development	32,986
Product manufacturing and operating costs	44,733
Advertising and Marketing	9,417
Staff costs	297,776
Administration and Corporate costs	259,089
Total	644,000

(g) Summary of the Binding Terms Sheet

A summary of the material terms of the Convertible Notes is set out on page 11 of this Explanatory Statement.

(h) Voting exclusion statement

A voting exclusion statement for Resolution 4 is included in the Notice of Meeting preceding this Explanatory Statement.

5.4 Directors Recommendation

The Directors consider the conversion of the Convertible Notes to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 4 to give effect to the Conversion.

6. RESOLUTION 5 - AMENDMENT TO CONSTITUTION

Resolution 5 seeks Shareholder approval to amend the Company's Constitution.

6.1 Proposed amendments to the Constitution of ParaZero Limited in accordance with ASX Listing Rule 15.12

ASX made changes to its escrow regime with effect from 1 December 2019. Under the amended Listing Rule 15.12, for so long as a listed entity has any restricted securities on issue, its constitution must provide for each of the following:

- a holder of restricted securities must not dispose of, or agree or offer to dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;
- if the securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the entity's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;
- the entity will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;
- a holder of restricted securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX; and
- if a holder of restricted securities breaches a restriction deed or a provision of the entity's constitution restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.

These requirements provide the constitutional underpinning for ASX's modified escrow regime. As noted above, the changes to Listing Rule 15.12 took effect from 1 December 2019 and applies to entities admitted to the official list, or that issue restricted securities, on or after that date. The changes also apply to any listed entity that on or after 1 December 2019:

- undertakes a transaction requiring re-compliance with Chapters 1 and 2 of the Listing Rules under Listing Rule 11.1.3 involving the issue of restricted securities; and
- issues restricted securities to a party referred to in Listing Rule 10.1 for the acquisition of a substantial classified asset from that party.

As the Company has communicated via various ASX releases, and most recently on 30 April 2020, the Company will remain suspended until it is able to either successfully complete a transaction requiring re-compliance with Chapters 1 and 2 of the Listing Rules or it terminates the proposed acquisition of Delta Drone South Africa.

Given that the Company may undertake a transaction requiring re-compliance with Chapters 1 and 2 of the Listing Rules under Listing Rule 11.1.3 involving the issue of restricted securities after 1 December 2019, the Board considers it appropriate to amend the Company's Constitution to comply with the proposed changes to Listing Rule 15.12.

6.2 Proposed amendments of the Constitution of ParaZero Limited in relation to virtual meetings

The Company is also seeking approval from Shareholders in relation to the methods for holding meetings. Clause 12.3A has been inserted to provide for the holding of meetings

by electronic means (ie “hybrid meetings” or “virtual meetings”). While the Company is not required to hold hybrid or virtual meetings, this change provides flexibility for using technology as part of shareholder meetings.

Under section 136 of the Corporations Act, Shareholders must pass a special resolution to amend the Constitution. Accordingly, Resolution 5 is a special resolution, requiring approval of 75% of the votes cast by Shareholders entitled to vote on the resolution in order to be passed.

The proposed amendments to clause 2.12 of the Constitution are set out in Annexure B to this Explanatory Statement.

Copies of the current Constitution and amended Constitution marked-up to show the proposed changes are available for perusal by Shareholders at the Company's registered office or via the Company's website at www.parazero.com.

6.3 Directors Recommendation

The Directors consider the proposed amendments to the Constitution to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 5 to give effect to the amendments.

7. RESOLUTION 6 – RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

7.1 General

A proportional takeover bid is an off-market takeover bid for a specified proportion of the securities in the bid class, rather than a bid for the security holders entire holding.

Clause 36 of the Company's Constitution contains provisions dealing with proportional takeover bids for the Company's securities. The provisions are designed to assist security holders to receive proper value for their securities if a proportional takeover bid is made for the Company.

Under the Corporations Act, these provisions must be renewed every three years or they will cease to have effect. The current provisions ceased to have effect on 15 January 2021. Accordingly, the provisions need to be renewed if they are to apply to any future proportional takeover bids made for the Company. If the provisions are renewed by Shareholders at this Meeting, they will operate for three years from the date Resolution 6 is passed.

Resolution 6 seeks Shareholder approval to renew clause 36 of the Company's Constitution for a three-year period in accordance with section 648G of the Corporations Act and the Constitution.

Shareholders are provided with the following information in relation to Resolution 6, in compliance with section 648G(5) of the Corporations Act:

<p>Effect of the proportional takeover provisions in the Constitution that it is proposed be renewed</p>	<p>Clause 36 in the Company's Constitution states that if a proportional takeover bid is made for the Company (i.e. a bid for less than 100% of each holder's holding in the bid class of securities), the Directors must submit to holders of the bid class securities a resolution to approve the proportional bid (Prescribed Resolution). The Prescribed Resolution must be voted on at least 14 days before the last day of the bid period closes (Resolution Deadline).</p> <p>The Prescribed Resolution is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected. Each person (other than the bidder</p>
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	<p>and its associates) who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote.</p> <p>If the Prescribed Resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.</p> <p>The Directors will breach the Corporations Act if they fail to ensure the Prescribed Resolution is voted on. However, the bid will be taken to have been approved if the Prescribed Resolution is not voted on by the Resolution Deadline.</p> <p>The provisions of clause 36 of the Company's Constitution do not apply to full takeover bids and will only apply for three years after approval. The provisions can be further renewed by special resolution.</p>
<p>Reasons for renewing the proportional takeover provisions</p>	<p>The Directors consider it appropriate for Shareholders to decide whether they wish to have proportional takeover approval provisions in the Constitution. If the proportional takeover approval provisions in the Constitution are not renewed, a proportional takeover bid may enable control of the Company to pass without Shareholders having the opportunity to sell all their shares to the bidder. Shareholders may therefore be exposed to the risk of being left as a minority in the Company. If the Shareholders considered that control of the Company was likely to pass under any takeover bid, they could be placed under pressure to accept the offer even if they do not want control of the Company to pass to the bidder. Shareholders may also be exposed to the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares. Resolution 6 seeks renewal of the proportional takeover provisions as the provisions decrease these risks because they allow Shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.</p> <p>As noted above, the bidder and its associates would not be permitted to vote on the Prescribed Resolution and thereby influence the outcome.</p>
<p>No knowledge of any acquisition proposals</p>	<p>As at the date of this Notice, no Director is aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.</p>
<p>Review of proportional takeover provisions</p>	<p>While proportional takeover approval provisions have previously been in force under the Company's Constitution, there have been no full or proportional takeover bids for the Company. Therefore, there is no example against which to review the advantages or disadvantages of the provisions for the Directors and the Shareholders.</p>
<p>Potential advantages and disadvantages of the provisions for Directors</p>	<p>If the Directors consider that a proportional takeover bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company if the bidder needs a majority of the votes cast by the independent</p>

	<p>Shareholders before it can succeed.</p> <p>On the other hand, if a proportional takeover bid is commenced, the Directors must seek the Shareholders' views. They must do so even though the Directors believe that the bid should be accepted.</p> <p>In the absence of the proportional takeover approval provisions, it is only the Directors who express, on behalf of the Company, any formal view on the adequacy or otherwise of a proportional takeover bid. Under the approval mechanism in clause 36 of the Company's Constitution, the most effective view on a proportional takeover bid will become the view expressed by the vote of the Shareholders themselves.</p>
<p>Potential advantages and disadvantages of the provisions for Shareholders</p>	<p>The potential advantages of the proportional takeover approval provisions for Shareholders include:</p> <ul style="list-style-type: none"> • Shareholders will have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed. • The provisions may help shareholders avoid being locked in as a minority. • The existence of the provisions in the Constitution may make a full bid more probable than a proportional bid. • The provisions may increase the bargaining power of the Shareholders, encouraging a bidder to set its offer price and conditions at a level that will be attractive to the Shareholders who vote. • Knowing the view of the majority of Shareholders may help each individual Shareholder assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject the offer. <p>The potential disadvantages of the proportional takeover approval provisions for Shareholders include:</p> <ul style="list-style-type: none"> • Potential bidders may be discouraged from making a proportional takeover bid, reducing the opportunity for Shareholders to sell a portion of their holding. • It is possible (though in the opinion of the Board, unlikely) that the existence of the provisions might have an adverse effect on the market value of the Company's shares by making a proportional takeover bid less likely, and consequently reducing any takeover speculation element in the share price. • An increased likelihood that a proportional takeover bid would not be successful. • An individual Shareholder who wishes to accept a proportional takeover bid will be unable to sell to the bidder unless a majority of Shareholders favour the proportional takeover bid. • The provisions may be considered by some Shareholders as an unreasonable restriction on

	<p>their ability to freely deal with their shares.</p> <p>The Board considers that the potential advantages for Shareholders of the proportional takeover approval provisions outweigh the potential disadvantages. In particular, Shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.</p>
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7.2 Directors Recommendation

The Directors consider the proposed renewal of clause 36 of the Constitution to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 6 to give effect to the renewal.

8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

8.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. ParaZero Limited (**ParaZero**) is an eligible entity for these purposes since the Company has, at the date of this Notice a market capitalisation is \$4.5 million (with its ordinary shares currently suspended from trading and last traded at 3.6 cents).

Resolution 7 seeks shareholder approval by way of special resolution for ParaZero to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Resolution 7 is passed, ParaZero will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Resolution 7 is not passed, ParaZero will not be able to access the additional 10% capacity to issue equity securities without shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

8.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the equity securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in the Section 8.2 (a)(i) of this Notice, the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next Annual General Meeting; and
- (iii) the time and date of approval by Shareholders of ParaZero's ordinary securities under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 31 January 2020, being the last day the securities traded.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.018 (50% decrease in Issue Price)	\$0.036 (Issue Price)	\$0.054 (50% increase in Issue Price)
Variable A 139,082,099	Shares issued - 10% voting dilution	13,908,209 Shares	13,908,209 Shares	13,908,209 Shares
	Funds raised	\$250,347	\$500,695	\$751,043
(50% Increase is Variable A) 208,623,148	Shares issued - 10% voting dilution	20,862,314 Shares	20,862,314 Shares	20,862,314 Shares
	Funds raised	\$375,521	\$751,043	\$1,126,564
(100% Increase in Variable A) 278,164,198	Shares issued - 10% voting dilution	27,816,419 Shares	27,816,419 Shares	27,816,419 Shares
	Funds raised	\$500,695	\$1,001,391	\$1,502,086

Notes:

- (a) The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.
- (b) The table above uses the following assumptions:
- (i) There are currently 139,082,099 Shares on issue.
 - (ii) The 10,733,336 Conversion Shares and 1,073,336 Bonus Shares have been issued.
 - (iii) The issue price set out above is the closing price of the Shares on the ASX on 31 January 2020 (the last trading day).
 - (iv) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
 - (v) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
 - (vii) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
 - (viii) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
 - (ix) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (x) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for cash consideration in which case the Company intends to use funds raised to intensify and aggressively pursue its stated intention to separate the individual business units within the Company according to its six main and autonomous businesses.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.3 upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A. at its annual general meeting held on 31 May 2019.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.3**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, the entity must:

- (i) state in its announcement of the proposed issue under rule 3.10.3 or in its application for quotation of the securities under rule 2.7 that the securities are being issued under rule 7.1A; and
- (ii) give to ASX immediately after the issue a list of names of the persons to whom the entity issued the equity securities and the number of equity securities issued to each. This list is not for release to the market.

8.3 Equity securities under Listing Rule 7.1A2

The Company has not issued any Equity Securities in the 12 months prior to the Meeting under listing rule 7.1A2.

8.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

8.5 Directors Recommendation

The Directors consider the approval of the 10% Placement Capacity to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 7 to give effect to the approval.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 5.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means ParaZero Limited (ACN 618 678 701).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Noteholders has the meaning given to that term in Section 5.3(a) of the Explanatory Statement.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 2019.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

AEST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A – TERMS OF CONDITIONS OF OPTIONS ISSUED 5 NOVEMBER 2019

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (a), the amount payable upon exercise of each Option will be \$0.09 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on 5 November 2024 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (a)(i) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

ANNEXURE B – PROPOSED AMENDMENTS TO CONSTITUTION

Clause 1.1

Add the following definitions in clause 1.1:

Dispose has the meaning given to that term in the Listing Rules and **Disposal** has a corresponding meaning.

Holding Lock has the meaning given to that term in the Listing Rules.

Restriction Deed has the meaning given to that term in the Listing Rules.

Clause 2.12

Delete sub-clauses (a) to (c) of clause 2.12 of the Constitution in their entirety and replace with:

- (a) A holder of Restricted Securities must not Dispose of, or agree to Dispose of, the Restricted Securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX.
- (b) If the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those securities.
- (c) The Company will refuse to acknowledge any Disposal (including without limitation to register any transfer) of Restricted Securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX.
- (d) A holder of Restricted Securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX.
- (e) If a holder of Restricted Securities breaches a Restriction Deed or a provision of this Constitution restricting a Disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.

Insert clause 12.3A in the Constitution:

Clause 12.3A -Virtual Meetings

- (a) The Directors may determine in relation to any general meeting (including any general meeting that is being held at more than one physical place) to enable persons entitled to attend and participate to do so by simultaneous attendance and participation by means of electronic facility or facilities (any such general meeting being a **Virtual Meeting**). The members present by means of electronic facility or facilities shall be counted in the quorum for, and entitled to participate in, the general meeting in question. A Virtual Meeting shall be duly constituted and its proceedings valid if the chair of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting are able to participate in the business for which the meeting has been convened.
- (b) If a general meeting is held by means of electronic facility or facilities, the Directors (and, at a general meeting, the chair) may (subject to the requirements of the Corporations Act) make any arrangement and impose any requirement or restriction in connection with participation by such facility or facilities, including any arrangement, requirement or

restriction that is:

(i) necessary to ensure the identification of those taking part and the security of the electronic facility; and

(ii) proportionate to the achievement of those objectives.

(c) In no circumstances shall the inability of one or more members to access, or to continue to access, the electronic facility or facilities for participation in the meeting affect the validity of the meeting or any business conducted at the meeting, provided that sufficient members are able to participate in the meeting as are required to constitute a quorum under clause 13.1.

ANNEXURE C – PROPORTIONAL TAKEOVER PROVISIONS

36. PARTIAL TAKEOVER PLEBISCITES

36.1 Resolution to Approve Proportional Off-Market Bid

- (a) Where offers have been made under a proportional off-market bid in respect of a class of securities of the Company ("**bid class securities**"), the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the proportional off-market bid is prohibited unless and until a resolution (in this clause 36 referred to as a "**prescribed resolution**") to approve the proportional off-market bid is passed in accordance with the provisions of this Constitution.
- (b) A person (other than the bidder or a person associated with the bidder) who, as at the end of the day on which the first offer under the proportional off-market bid was made, held bid class securities is entitled to vote on a prescribed resolution and, for the purposes of so voting, is entitled to one vote for each of the bid class securities.
- (c) A prescribed resolution is to be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the prescribed resolution.
- (d) A prescribed resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the prescribed resolution bears to the total number of votes on the prescribed resolution is greater than one half, and otherwise is taken to have been rejected.

36.2 Meetings

- (a) The provisions of this Constitution that apply in relation to a general meeting of the Company apply, with modifications as the circumstances require, in relation to a meeting that is convened pursuant to this clause 36.2 as if the last mentioned meeting was a general meeting of the Company.
- (b) Where takeover offers have been made under a proportional off-market bid, the Directors are to ensure that a prescribed resolution to approve the proportional off-market bid is voted on in accordance with this clause 36 before the 14th day before the last day of the bid period for the proportional off-market bid (the "**resolution deadline**").

36.3 Notice of Prescribed Resolution

Where a prescribed resolution to approve a proportional off-market bid is voted on in accordance with this clause 36 before the resolution deadline, the Company is, on or before the resolution deadline:

- (a) to give the bidder; and
- (b) if the Company is listed – each relevant financial market (as defined in the Corporations Act) in relation to the Company;

a notice in writing stating that a prescribed resolution to approve the proportional off-market bid has been voted on and that the prescribed resolution has been passed, or has been rejected, as the case requires.

36.4 Takeover Resolution Deemed Passed

Where, at the end of the day before the resolution deadline, no prescribed resolution to approve the proportional off-market bid has been voted on in accordance with this clause 36, a resolution to approve the proportional off-market bid is to be, for the purposes of this clause 36, deemed to have been passed in accordance with this clause 36.

36.5 Takeover Resolution Rejected

Where a prescribed resolution to approve a proportional off-market bid under which offers have been made is voted on in accordance with this clause 36 before the resolution deadline, and is rejected, then:

- (a) despite section 652A of the Corporations Act:
 - (i) all offers under the proportional off-market bid that have not been accepted as at the end of the resolution deadline; and
 - (ii) all offers under the proportional off-market bid that have been accepted and from whose acceptance binding contracts have not resulted as at the end of the resolution deadline,are deemed to be withdrawn at the end of the resolution deadline;
- (b) as soon as practicable after the resolution deadline, the bidder must return to each person who has accepted any of the offers referred to in clause 36.5(a)(ii) any documents that were sent by the person to the bidder with the acceptance of the offer;
- (c) the bidder:
 - (i) is entitled to rescind; and
 - (ii) must rescind as soon as practicable after the resolution deadline,each binding takeover contract resulting from the acceptance of an offer made under the proportional off-market bid; and
- (d) a person who has accepted an offer made under the proportional off-market bid is entitled to rescind the takeover contract (if any) resulting from the acceptance.

36.6 Renewal

This clause 36 ceases to have effect on the third anniversary of the date of the adoption of the last renewal of this clause 36.

ANNEXURE D – ISSUES OF EQUITY SECURITIES SINCE 31 MAY 2019

Date	Quantity	Class	Recipients	Issue price	Form of consideration
Issue – 24 June 2019 Appendix 3B – 24 June 2019	10,279,189	Shares ¹	Institutional and sophisticated investors under the placement announced 12 April 2019	\$0.075 per Share	Amount raised = \$772,500 Amount spent = \$772,500 Use of funds Expenses of the Placement, product inventory and working capital
Issue – 24 June 2019 Appendix 3B – 24 June 2019	953,544	Options ²	Institutional and sophisticated investors under the placement announced 12 April 2019	Nil (free attaching)	Amount raised = \$772,500 Amount spent = \$772,500 Use of funds Expenses of the Placement, product inventory and working capital
Issue – 2 August 2019 Appendix 3B – 2 August 2019	33,756	Shares ¹	Issued upon exercise of unlisted options	\$0.0027 per Share	Amount raised = \$91 Amount spent = \$91 Use of funds Working capital
Issue – 5 November 2019 Appendix 3B – 5 November 2019	10,219,999	Shares ¹	Institutional and sophisticated investors under the placement announced 24 October 2019	\$0.06 per Share	Amount raised = \$613,000 Amount spent = \$613,000 Use of funds Product inventory and working capital
Issue – 5 November 2019 Appendix 3B – 5 November 2019	948,053	Options ³	Institutional and sophisticated investors under the placement announced 24 October 2019	Nil (free attaching)	Amount raised = \$613,000 Amount spent = \$613,000 Use of funds Product inventory and working capital

Notes:

1. Fully paid ordinary shares in the capital of the Company, ASX Code: PRZ (terms are set out in the Constitution).
2. As previously disclosed to the market.
3. Refer to Annexure A for the full terms and conditions of the Options.

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If you are attending the virtual Meeting please retain this Proxy Card For online Securityholder registration.

Holder Number:

Vote by Proxy: PRZ

Your proxy voting instruction must be received by **4.00pm (AEST) on Sunday, 26 July 2020** being not later than **48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE VIRTUAL MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the virtual Meeting online if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the virtual Meeting online, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the virtual Meeting.


POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



Contact**Return your completed form**


 **BY MAIL**
Automic
GPO Box 5193
Sydney NSW 2001

 **IN PERSON**
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

 **BY EMAIL**
meetings@automicgroup.com.au
BY FACSIMILE
+61 2 8583 3040

All enquiries to Automic

 **WEBCHAT**
<https://automic.com.au/>

 **PHONE**
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1: Virtual Participation**Virtual participation at the AGM**

The Company is pleased to provide shareholders with the opportunity to participate in the Meeting virtually through an online platform, which can be accessed by navigating to **web.lumiagm.com/344570224** on any internet browser. Alternatively, the Lumi AGM app can be downloaded for free from the Apple or Google Play stores.

The ID for this meeting that will need to be entered in to the Lumi platform is:

344-570-224

Shareholders should then log in to the meeting using their SRN/HIN and postcode as detailed on the reverse of this form.

Further information on how to do this is set out in the letter to shareholders which accompanies the Notice of Meeting. The Explanatory Notes that accompany and form part of this Notice of Annual General Meeting describe the various matters to be considered.

STEP 2: Appoint Your Proxy**Complete and return this form as instructed only if you do not vote online or intend to attend the virtual meeting**

I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of ParaZero Limited, to be held virtually at **4:00pm (AEST) on Tuesday, 28 July 2020** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

Authority for Chair to vote undirected Proxies on remuneration related resolutions

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

STEP 3: Your Voting Direction

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Amendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Director – Dan Arazi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Renewal of Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of Placement Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of Notes becoming Convertible	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 4: Sign Here + Contact Details**SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED**

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).