

## ASX APPENDIX 4D

### HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2020

#### 1. DETAILS OF REPORTING PERIOD

Name of Entity	ParaZero Limited ("the Company")
ABN	17 618 678 701
<b>Reporting Period</b>	<b>30 June 2020</b>
Previous Corresponding Period	30 June 2019
Presentation Currency	US Dollars (US\$)

#### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2020 US\$	30 June 2019 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	337,267	675,977	(50.11%)	(338,710)
Profit/(loss) after tax from ordinary activities attributable to members	(617,564)	(1,337,773)	(53.84%)	720,209
Profit/(loss) after tax attributable to members	(651,462)	(1,334,961)	(51.20%)	683,499

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

#### Commentary on results:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached half-year financial report.

#### 3. NET TANGIBLE ASSETS PER SHARE

	30 June 2020 US\$	30 June 2019 US\$
Net tangible (liability)/asset backing per ordinary security	(0.07) cents	0.68 cents

#### 4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

##### Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

##### Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

#### 5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2020.
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#### 6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable
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#### 7 DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not applicable
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#### 8. FOREIGN ENTITIES

Not Applicable
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#### 9. AUDIT

This report has been based on accounts that have been subject to an audit review. The accounts contain an independent review report that is subject to an Emphasis of Matter drawing attention to a material uncertainty related to going concern. The attached half-year financial report has been prepared on a going concern basis. There are no items of dispute with the auditor and the audit review is not subject to qualification.
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Mr Eden Attias  
Executive Chairman & Chief Executive Officer

27 August 2020



**PARAZERO LIMITED**

**ACN 618 678 701**

**Half year report for the half-year ended  
30 June 2020**



## Company Directory

### Board of 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

### Registered Office (Australia)

Level 27, 101 Collins Street  
Melbourne VIC 3000  
Tel: +61(8) 6189 1155  
Email: [contact@parazero.com](mailto:contact@parazero.com)  
Web: [www.parazero.com](http://www.parazero.com)

### Registered Office (Israel)

30 Dov Hoz Street  
Kiryat Ono Israel 5555626  
Tel: +972 3 688 5252

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco, Western Australia 6008

### Share Registry

Automic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
Tel: 1300 288 664 (within Australia) | +61 2 9698 5414 (outside Australia)  
Fax: +61 8 9321 2337  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)  
Web: [www.automic.com.au](http://www.automic.com.au)

### Legal Advisers (Australia)

Arnold Bloch Leibler  
Level 21  
333 Collins Street  
Melbourne VIC 3000

### Legal Advisers (Israel)

Shibolet  
Museum Tower  
4 Berkowitz Street  
Tel Aviv Israel 6423806

### Stock Exchange

Australian Securities Exchange  
Level 40, Central Park  
152- 158 St Georges Terrace  
Perth WA 6000

### ASX Code

PRZ

# Half year report for the half-year ended 30 June 2020

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## Directors' report

The directors of ParaZero Limited ("ParaZero" or "the Company") (ASX: PRZ) submit herewith the half-year report of ParaZero Limited and its controlled entities ("the Group") for the half-year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Directors

The names of directors of the Company during or since the end of the half-year are:

Mr Eden Attias	Executive Chairman/Chief Executive Officer
Mr Dan Arazi	Non-Executive Director
Mr Stephen Goreinstein	Non-Executive Director
Mr Chris Singleton	Non-Executive Director

The above-named directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

### Company Secretary

Mr Stephen Buckley

### Operating and financial review

The net loss of the Group for the half-year ended 30 June 2020 after providing for income tax, amounted to US\$617,564 (30 June 2019: US\$1,337,773).

- During the reporting period, ParaZero Limited announced execution of a letter of intent with Delta Drone South Africa to acquire its business. This process is ongoing and further updates will be provided to the market when available.
- COVID-19 – In March 2020 and subsequent months, the Company took the following steps to reduce its operating costs:
  1. Employment costs – the Company placed some of its Israeli R&D employees on an unpaid leave during the period of government-imposed restrictions on movement and operations.
  2. Utilities – the Company received an exemption from municipality taxes, and the costs of utilities were further reduced due to the reduction in office activity.
  3. R&D expenditure - The Company took steps to reduce R&D expenses through product focus and via discussions with its main suppliers and was able to reduce expenses by US\$96K compared to parallel period in 2019. It is important to note that the parallel period in 2019 included US\$252K in Israeli Innovation Authority grants and royalties' adjustments that decreased the overall R&D expense in that period significantly.

### On the half-year report for the half-year ended 30 June 2020, the Company notes the following:

- The Group has seen the effect of a COVID-19 shutdown across its main target territories and this resulted in the significant decrease on the revenue line in comparison to the parallel period in 2019.
- The lockdown which took place in Israel during March-May 2020 disabled the R&D efforts to certify the new generation of the Company's products. As operations resumed following the lifting of restrictions, the Company is working hard to push forward these efforts.

**Subsequent to the half-year ended 30 June 2020, ParaZero's key objectives include:**

- The process to acquire Delta Drone South Africa is ongoing, which we hope to complete in the fourth quarter of 2020.
- We are looking to expand the Company's offering to services for the mining and agriculture segment and in 2021 to further this expansion into other segments.
- ParaZero is shifting resources and focus to expand on its OEM (drone operators) partnerships and secure new OEM contracts from leading drone manufacturers for enterprise applications.
- ParaZero is now moving to integrate several technologies and applications to address the growing need for BVLOS (beyond visual line of site) operations. The BVLOS kit will become an integrated part of ParaZero's core safety system.

**Events subsequent to the reporting period**

On 9 July 2020, the Company announced it had secured the commercially significant milestone of 100 FAA waivers granting flights over people in the USA for companies using drones equipped with ParaZero's SafeAir system.

On 7 August 2020, the Company converted 644,000 Convertible Notes, each with a face value of A\$1.00 into fully paid ordinary shares at a conversion price of A\$0.06 per share. The noteholders also received bonus shares equivalent to 10% of the Note value at a conversion price of A\$0.06 per share upon conversion of their Notes. The conversion was approved at the Company's Annual General Meeting held on 28 July 2020.

The impact of the coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The situation is rapidly developing and is dependent on measures imposed by territories in which ParaZero operates, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group or the results of those operations.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Eden Attias', is written over a horizontal line.

Mr Eden Attias

**Executive Chairman**

27 August 2020

Tel Aviv, Israel



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

As lead auditor for the review of ParaZero Limited for the half-year ended 30 June 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 27 August 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ParaZero Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of ParaZero Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 3 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 conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the financial report**

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' watermark.

**Dean Just**

**Director**

Perth, 27 August 2020

## Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Eden Attias  
**Executive Chairman**  
27 August 2020  
Tel Aviv, Israel

## Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2020

	Note	Half-year ended	
		30 Jun 2020 US\$	30 Jun 2019 US\$
Revenue and other income		337,267	675,977
Cost of sales		(146,772)	(669,336)
Credit from supplier		87,420	-
<b>Gross profit</b>		<b>277,915</b>	<b>6,641</b>
Research and development expenses		(337,317)	(182,154)
Sales and marketing expenses		(94,069)	(350,227)
General and administration expenses		(434,970)	(718,945)
Depreciation expenses		(8,445)	(8,568)
<b>Loss before finance expenses</b>		<b>(596,886)</b>	<b>(1,253,253)</b>
Finance expenses		(20,678)	(84,520)
<b>Loss before income tax expenses</b>		<b>(617,564)</b>	<b>(1,337,773)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(617,564)</b>	<b>(1,337,773)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences, net of tax		(33,898)	2,812
<b>Other comprehensive (loss)/income for the period</b>		<b>(33,898)</b>	<b>2,812</b>
<b>Total comprehensive loss for the period</b>		<b>(651,462)</b>	<b>(1,334,961)</b>
<b>Loss attributable to:</b>			
Owners of ParaZero Limited		(617,564)	(1,337,773)
<b>Total comprehensive loss attributable to:</b>			
Owners of ParaZero Limited		(651,462)	(1,334,961)
<b>Loss per share attributable to Owners of ParaZero Limited</b>			
Basic/diluted loss per share (cents per share)	10	(0.485)	(1.340)

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 30 June 2020

	Note	30 Jun 2020 US\$	31 Dec 2019 US\$
<b>Current assets</b>			
Cash and cash equivalents		122,534	207,758
Trade and other receivables		123,335	154,581
Inventory		699,649	751,662
<b>Total current assets</b>		<b>945,518</b>	<b>1,114,001</b>
<b>Non-current assets</b>			
Property, plant and equipment		69,838	78,283
<b>Total non-current assets</b>		<b>69,838</b>	<b>78,283</b>
<b>Total assets</b>		<b>1,015,356</b>	<b>1,192,284</b>
<b>Current liabilities</b>			
Trade and other payables		239,337	400,719
Borrowings		26,312	90,248
Other financial liability		82,269	66,238
Convertible notes	5	581,621	-
<b>Total current liabilities</b>		<b>929,539</b>	<b>557,205</b>
<b>Non-current liabilities</b>			
Other financial liability		177,136	74,936
<b>Total non-current liabilities</b>		<b>177,136</b>	<b>74,936</b>
<b>Total liabilities</b>		<b>1,106,675</b>	<b>632,141</b>
<b>Net (liabilities)/assets</b>		<b>(91,319)</b>	<b>560,143</b>
<b>Equity</b>			
Issued capital	6	10,681,414	10,681,414
Share-based payment reserves	7	1,988,085	1,988,085
Predecessor accounting reserve	7	(188,690)	(188,690)
Foreign exchange reserves	7	(219,669)	(185,771)
Accumulated losses		(12,352,459)	(11,734,895)
<b>Total (deficiency)/equity</b>		<b>(91,319)</b>	<b>560,143</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity for the half-year ended 30 June 2020

	Issued capital US\$	Share-based payment reserve US\$	Predecessor Accounting reserve US\$	Foreign exchange reserve US\$	Accumulated losses US\$	Total US\$
<b>Balance at 1 January 2019</b>	<b>8,627,926</b>	<b>1,988,085</b>	<b>(188,690)</b>	<b>(186,679)</b>	<b>(9,742,253)</b>	<b>498,389</b>
Loss for the period	-	-	-	-	(1,337,773)	(1,337,773)
Other comprehensive income, net of income tax	-	-	-	2,812	-	2,812
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,812</b>	<b>(1,337,773)</b>	<b>(1,334,961)</b>
Issue of shares	1,699,359	-	-	-	-	1,699,359
Share-based payments	-	-	-	-	-	-
Share issue costs	(62,459)	-	-	-	-	(62,459)
<b>Balance at 30 June 2019</b>	<b>10,264,826</b>	<b>1,988,085</b>	<b>(188,690)</b>	<b>(183,867)</b>	<b>(11,080,026)</b>	<b>800,328</b>
<b>Balance at 1 January 2020</b>	<b>10,681,414</b>	<b>1,988,085</b>	<b>(188,690)</b>	<b>(185,771)</b>	<b>(11,734,895)</b>	<b>560,143</b>
Loss for the period	-	-	-	-	(617,564)	(617,564)
Other comprehensive income, net of income tax	-	-	-	(33,898)	-	(33,898)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,898)</b>	<b>(617,564)</b>	<b>(651,462)</b>
Issue of shares	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>10,681,414</b>	<b>1,988,085</b>	<b>(188,690)</b>	<b>(219,669)</b>	<b>(12,352,459)</b>	<b>(91,319)</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated statement of cash flows for the half-year ended 30 June 2020

	Note	Half-year ended	
		30 Jun 2020 US\$	30 Jun 2019 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers		358,819	563,415
Payments to suppliers and employees		(928,421)	(2,372,206)
Interest received		18	363
Net cash (used in) operating activities		(569,584)	(1,808,428)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-	(1,369)
Net cash (used in) investing activities		-	(1,369)
<b>Cash flows from financing activities</b>			
Proceeds from equity instruments of the Company		-	1,699,359
Repayment of borrowings		-	(29,551)
Proceeds from convertible notes		547,618	-
Proceeds from borrowings		28,916	-
Change in bank overdraft		(90,248)	-
Receipts from Israel Innovation Authority		-	98,313
Share issue costs		-	(62,459)
Net cash provided by financing activities		486,286	1,705,662
<b>Net (decrease) in cash and cash equivalents</b>		<b>(83,298)</b>	<b>(104,135)</b>
Cash and cash equivalents at the beginning of the period		207,758	584,782
Impact of movement in foreign exchange rates		(1,926)	2,812
<b>Cash and cash equivalents at the end of the period</b>		<b>122,534</b>	<b>483,459</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Condensed notes to the consolidated financial statements for the half-year ended 30 June 2020

## 1. General information

ParaZero Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's registered office and principal place of business is disclosed in the corporate directory.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

This half-year financial report was authorised for issue by the directors on 27 August 2020.

## 2. Application of new and revised Australian Accounting Standards

### 2.1 Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### 2.2 New and revised Australian Accounting Standards and Interpretations on issue 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 <i>Insurance Contracts</i>	1 January 2021

### 3. Significant accounting policies

#### Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with any public announcements made by ParaZero Limited up to the date of this report in accordance with the continuous disclosure requirements under the ASX Listing Rules.

#### Basis of measurement

The half-year report has been prepared on an accruals basis and is based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The half-year report is presented in United States dollars (US\$) and all values are rounded to the nearest dollar unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the ParaZero Limited's last annual financial statements for the year ended 31 December 2019, unless otherwise stated.

#### Going concern

This financial report has 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 has incurred a loss for the half-year ended 30 June 2020 of \$617,564 (30 June 2019: \$1,337,773) and net cash outflows from operating activities of \$569,584 (30 June 2019: \$1,808,428).

The World Health Organisation announced that the coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group developed policies and procedures to address the health and wellbeing of its employees. 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 2021 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 its operational and technology development activities. These conditions indicate the existence of a material uncertainty that may cast a 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 Group has recently been successful in raising equity/debt and is planning to raise further funds. As at the date of this report, A\$1,044,000 has been received by way of convertible notes following the Group's intention to acquire Delta Drone South Africa. A further A\$200,000 is expected to be received by way of convertible notes in August 2020 and a final tranche of A\$400,000 is expected by October 2020;
- the Group commenced the process of reducing expenses, notably employees and management related expenses. 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 tighter budget; and
- the drone for commercial and civilian application is moving into a new phase. The new regulatory landscape which is based on the new ASTM standard is expected to generate increased opportunities for the company. Based on this, the directors believe that the market will continue to grow over the coming years and that the Group will capitalise on this growth through increased sales.

The directors plan to continue the Group's operations on the basis 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.

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 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.

#### **4. Critical accounting judgements and estimates**

In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Key estimates and judgements***

##### *Fair value of long-term liabilities*

The Group measures its liability on governmental grant received, each period, based on discounted cash flows derived from Group's future anticipated revenues. The grant is repayable upon the Group commencing product commercialisation and generating revenue from sale of product, with repayments being based on 3.5% 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.

At the end of each reporting period, the Group evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognised, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognised and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognised with a corresponding adjustment to research and development expenses.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that COVID-19 has had, or may have on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be any other material impact on the financial statements with respect to events or conditions which may impact the Group unfavourably as at the reporting date.

## 5. Borrowings

Current	30 Jun 2020 US\$	31 Dec 2019 US\$
Borrowings	581,621	-

During the period, the Company received funds from various parties relating to convertible notes issued. As at 30 June 2020, the notes are unsecured interest free debt instruments and did not carry and rights to conversion until receipt of shareholder approval which occurred at the Annual General Meeting of the Company held on 28 July 2020. The funds were raised to enable the Company to fund its transaction costs and working capital requirements whilst advancing the Delta Drone South Africa proposed acquisition (refer to the Directors' Report).

Total funds raised under the convertible note agreements was \$581,621. As approved by the Shareholders at the Annual General Meeting held on 28 July 2020, under the terms of the Convertible Note Agreements, the Company's obligation to repay the loan funds will be satisfied by the Company issuing Conversion Shares to the Lenders.

## 6. Issued capital

(a) Share capital	30 Jun 2020 US\$	31 Dec 2019 US\$
127,275,427 (31 Dec 2019: 127,275,427) fully paid ordinary shares	10,681,414	10,681,414

There were no movements in the issued capital of the Company in the current half-year.

### (b) 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.

## 7. Reserves

	30 Jun 2020 US\$	31 Dec 2019 US\$
Share-based payment reserve (i)	1,988,085	1,988,085
Foreign currency translation reserve (ii)	(219,669)	(185,771)
Predecessor accounting reserve (iii)	(188,690)	(188,690)
	<b>1,579,726</b>	<b>1,613,624</b>

### (i) Share-based payment reserve

There was no movement in the share-based payment reserve for the period ended 30 June 2020. As at 30 June 2020, there were 54,253,507 options on issue (31 Dec 2019: 54,253,507).

### (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.

## 8. Share-based payments

There were no share-based payment arrangements entered into by the Group during the half-year ended 30 June 2020.

## 9. Dividends

The Company did not pay or propose any dividends in the half-year to 30 June 2020.

## 10. Loss per share

	30 Jun 2020 US\$ cents per share	30 Jun 2019 US\$ cents per share
Basic and diluted loss per share	(0.485)	(1.340)

### 10.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	30 Jun 2020 US\$	30 Jun 2019 US\$
Loss for the year attributable to owners of the Company	(617,564)	(1,337,773)

  

	30 Jun 2020 No.	30 Jun 2019 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	127,275,427	99,726,559

**11. Commitments**

There has been no significant change in commitments since the last annual report. Please refer to the 31 December 2019 annual financial report.

**12. Contingent assets and liabilities**

The directors are not aware of any contingent liabilities or assets as at 30 June 2020 or subsequent to that period.

**13. Events occurring after the reporting period**

On 9 July 2020, the Company announced it had secured the commercially significant milestone of 100 FAA waivers granting flights over people in the USA for companies using drones equipped with ParaZero's SafeAir system.

On 7 August 2020, the Company converted 644,000 Convertible Notes, each with a face value of A\$1.00 into fully paid ordinary shares at a conversion price of A\$0.06 per share. The noteholders also received bonus shares equivalent to 10% of the Note value at a conversion price of A\$0.06 per share upon conversion of their Notes. The conversion was approved at the Company's Annual General Meeting held on 28 July 2020.

The impact of the coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The situation is rapidly developing and is dependent on measures imposed by territories in which ParaZero operates, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group or the results of those operations.