

ASX ANNOUNCEMENT

7 AUGUST 2018

CEO Letter to Shareholders

Dear fellow shareholders,

Following several queries received from shareholders, I am taking the opportunity to address these matters for all investors.

As I am writing my first letter to you as CEO, I thought about my personal journey to bring ParaZero to be a publicly listed company. I have seen the Company emerge to become focused on the outstanding opportunities for drone safety systems in this growing industry. Our goals are to leverage this opportunity and to continue to build the Company. We are working hard to maintain and expand our leadership in the drone safety domain. I am confident on the path we are going.

The Company's first Activity Report and Appendix 4C had mistakenly quoted the bank balance the Company has that was since corrected, showing that the Company has more than sufficient funds for its continuing operations. I apologise to all our shareholders for this technical mistake. Regarding the report, I'd like to emphasize that the forecasted increase in expenditures is aimed at product manufacturing infrastructure and the build-up of inventories of new products, all focusing on the increase of revenue generating contracts.

The Company's future growth directions are based on:

- **Sales:** Expansion of our sales channels globally; New sales orders and continuous development of new products;

ParaZero already established market recognition as world leader in Drone Safety. The Company's goal now is to turn above recognition into successful sales. We already started sales presence by creating new relationships with distributors and retailers in the United States and other countries that will sell ParaZero's drone safety systems. First orders of ParaZero's SafeAir M200 drone safety system have been shipped to significant retailers. During recent months, ParaZero has continually increased its efforts in creating a new class of drone safety systems that meet growing market demands.

The consumer segment holds the most substantial number of drones. The Company's strategic decision was to expand its product portfolio to address not only the commercial and enterprise sector but also provide the finest safety systems to the **professional consumers** as well as the recreational ones. This strategic investment will ensure future sales to a much broader target audience.

Final product adaptations are being made as we get ready to launch new products dedicated to these consumer markets. I believe that this will open mass adoption of ParaZero's products and strengthen our brand and recognition.

- **Partnerships:** Investment in new partnership opportunities to enhance the Company's offering;

As part of our strategy, ParaZero is seeking for more partnerships that will enable growth. The Company is in negotiation with numerous potential partners to expand its offering. This includes various drone manufacturers and additional insurance companies.

- **Regulation:** Numerous activities to promote safe drone operations

ParaZero has been selected as UAS (*Unmanned Aircraft System*) Safety Provider for multiple UAS IPP (*Integration Pilot Program*) Teams. In the upcoming quarter, the Company will move forward with various teams working together to execute the initial phases of safe integration of UAS in the NAS (*National Air Space*).

ParaZero is an active member of the American Society for Testing and Materials (ASTM) Committee F38 charged with establishing standards related to design, performance, quality acceptance tests, and safety for unmanned air vehicle systems. In the last ASTM meeting that took place in June, significant progress was made in pushing forward an ASTM standard for sUAS parachute systems.

In addition, ParaZero is actively pursuing the receipt of a waiver for drone flight over people, for drones equipped with a ParaZero safety system. This is a most important aspect of drone safety as more and more organizations utilise drones such as law enforcement, commerce, news broadcasting and more.

One of the most interesting occurrences happened just prior to the release of our Activity Report. A commercial drone operating in the homeland security sector, equipped with hundreds of thousands of dollars' worth of payload equipment suffered a serious technical flight malfunction. The drone was equipped with ParaZero's safety system, which identified the critical in-flight failure, and automatically deployed a ballistic parachute, bringing the drone and the expensive payload back to ground safely. This real-time occurrence was reported throughout the civilian and military drone sector and in my opinion will have serious positive opportunities for Parazero.

To all our shareholders, I will be visiting Australia soon for a variety of networking events and I look forward to meeting you. Notification of the events will be announced at a later date.

I look forward to the continued support of our shareholders.

Thank you for your vote of confidence,

Sincerely yours,

Eden Attias
CEO
Parazero Limited.