

PROPOSED FAA REGULATIONS SET TO INCREASE U.S. COMMERCIAL OPPORTUNITIES FOR PARAZERO

- The Federal Aviation Administration (FAA) has unveiled a set of proposed regulations which would for the first time allow routine flights over people and at night, with appropriate safety precautions.
- Proposed regulations would dramatically expand the commercial drone industry.
- Drones heavier than 250g would need to meet new safety requirements, such as the inclusion of a parachute.
- Regulation would replace the need for waivers for certain operations. ParaZero is the only company whose parachute systems have been used in several successful waiver applications for flight over unprotected people.

Drone safety systems company **ParaZero Limited (ASX: PRZ) (ParaZero or Company)** is expected to enable drone operators to fly over people according to new FAA draft regulations. This will significantly increase commercial opportunities as flight over people is a critical aspect in expanding the commercial drone industry.

The proposed changes, recently released in a Notice of Proposed Rulemaking (NPRM) by the United States Department of Transportation and the Federal Aviation Administration (FAA), would, for the first time, allow routine flights over people and at night, provided appropriate safety precautions are met.

For flights over people, the FAA is proposing three categories of aircraft, each with corresponding flight over people operational allowances.

Category 1: This category would allow unrestricted flight over people and is intended only for small drones weighing less than half a pound (250 grams), as they pose a very low risk.

Category 2: This category would also allow unrestricted flight over people but only with certain drones that are designed not to cause significant injuries. This limit is defined by the FAA as a certain level of kinetic energy that is transferred to a human (11 ft lbs/15 joules).

Category 3: This category allows for flight over people with certain operational limitations, including: no flights over crowds of people, no hovering over people, hovering is permitted only over people on a closed set (such as construction site, or film set) contingent on notification and consent from the people being flown over. Aircraft requirements are identical to category 2, other than a higher kinetic energy limit (25 ft lbs/34 joules).

The key to comply with Category 2 and 3 operations is to reduce the kinetic energy transferred to a human. There are several options to meet this standard including:

- reduce aircraft weight; and/or
- incorporate a parachute; and/or
- incorporate energy absorbing or frangible materials in aircraft design.

ParaZero's SafeAir systems, when combined with certain drones, are ideally designed to fit into Category 2 and 3. ParaZero's parachutes help to reduce the kinetic energy of a malfunctioning drone before it reaches the ground. In the current technology landscape, parachutes are believed to be the main option for compliance (sometimes combined with other mitigations) and will allow widespread use of drone technology.

Current FAA regulations restrict the flight of drones over unprotected people as a safety precaution. This has meant a slower rate of industry growth, due to the prevention of most drone operations in urban areas, such as surveying construction sites and package delivery.

Regulation would replace the need for waivers for certain operations, which have provided a temporary regulatory solution for allowing flight over people.

The NPRM is an important step in the US Government's rulemaking process. While we expect the rulemaking process to take time, the existing waiver framework is still in effect. This draft is a good indication to ParaZero and operating partners, the requirements to successfully secure a waiver. Therefore, the draft has an almost immediate positive effect on operators who are applying for waivers.

Commenting on the proposed regulations, Michael Huerta, Former FAA Administrator and member of ParaZero's Advisory Board said "ParaZero's SafeAir Systems have already been proven to mitigate risk in real-life scenarios. This will help operators comply with the FAA's requirements to ensure safety when operating over people."

In addition, ParaZero's CEO, Eden Attias, added "The proposed FAA regulations are a step in the right direction for the US market to conform to similar standards already operating in other jurisdictions. They make good sense for an industry looking to expand and allow widespread commercial applications in construction, news and media, agriculture, first response and more.

"For the unmanned aircraft industry, the proposed new regulations are the equivalent of requiring all cars to contain airbags as a standard safety feature. They provide significant commercial opportunities for ParaZero, particularly as the inclusion of our parachute safety system has already been approved by the FAA in waiver applications for flights over people.

"The FAA's flexible 'performance standards' are technology-agnostic, allowing for the rapidly changing industry to continue innovating. ParaZero's state-of-the-art safety solutions enable us to work directly with manufacturers and operators to ensure compliance with any new regulations should they evolve.

"Globally, the consumer and commercial drone markets have been growing rapidly and are expected to reach a combined US\$30 billion by 2020¹. A strong regulatory environment in the US, which permits additional operational uses with in-built safety features, could see that figure grow exponentially."

More information on the proposed legislation and the full FAA NPRM outlining the proposed changes is available here: https://www.faa.gov/uas/programs_partnerships/DOT_initiatives/

¹ Goldman Sachs Insights

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About ParaZero

ParaZero (www.parazero.com) was founded in 2014 with the vision to enable the global drone industry to realise its greatest potential. ParaZero offers smart and intuitive solutions for Government, enterprise and mass consumer drone markets to enable drone industry growth by designing, developing and providing best-in-class autonomous safety systems.