
PARAZERO LIMITED

ACN 618 678 701

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10.30am (WST)

DATE: Friday, 31 May 2019

PLACE: The offices of BDO
38 Station Street
Subiaco, Western Australia

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 5.00pm (WST) on Wednesday, 29 May 2019.

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 2018 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 2018."

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

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – CHARIS LAW

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

"That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Charis Law, a Director who was appointed on 15 March 2018, retires, and being eligible, is elected as a Director."

4. RESOLUTION 3 – 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, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dan Arazi, a Director who was appointed on 13 June 2018, retires, and being eligible, is elected as a Director."

5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – STEPHEN GORENSTEIN

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

“That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Stephen Gorenstein, a Director who was appointed on 17 October 2018, retires, and being eligible, is elected as a Director.”

6. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – CHRIS SINGLETON

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

“That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Chris Singleton, a Director who was appointed on 1 January 2019, retires, and being eligible, is elected as a Director.”

7. RESOLUTION 6 – APPOINTMENT OF AUDITOR AT FIRST AGM

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

“That, for the purposes of section 327B of the Corporations Act and for all other purposes, BDO Audit (WA) Pty Ltd, having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with effect from the close of the meeting.”

8. RESOLUTION 7 – RATIFICATION OF TRANCHE 1 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 10,299,998 Shares and 955,480 Options on the terms set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

9. RESOLUTION 8 – APPROVAL TO ISSUE TRANCHE 2 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 purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 10,279,189 Shares and 953,544 Options on the terms set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a

person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

10. RESOLUTION 9 – ISSUE OF SECURITIES TO RELATED PARTY – EDEN ATTIAS

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

“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 400,000 Shares and 37,106 Options to Eden Attias (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Eden Attias (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

11. RESOLUTION 10 – ISSUE OF SECURITIES TO RELATED PARTY – STEPHEN GORENSTEIN

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

“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 400,000 Shares and 37,106 Options to Stephen Gorenstein (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Stephen Gorenstein (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

12. RESOLUTION 11 – ISSUE OF SECURITIES TO RELATED PARTY – CHRIS SINGLETON

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

“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 200,000 Shares and 18,553 Options to Chris Singleton (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Chris Singleton (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

13. RESOLUTION 12 – ISSUE OF SECURITIES TO RELATED PARTY – DAN ARAZI

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

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 279,800 Shares and 25,956 Options to Dan Arazi (or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Dan Arazi (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

14. RESOLUTION 13 – 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: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

Dated: 30 April 2019

By order of the Board



**Stephen Buckley
Company Secretary**

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form. All proxies must be lodged by 10.30am on Wednesday, 29 May 2019.

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.

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.

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 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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.

This is the Company's first annual general meeting.

3. RESOLUTIONS 2 - 5 – RE-ELECTION OF DIRECTORS

3.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director (excluding a Managing Director) so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Having been appointed by other Directors as follows:

- a) Ms Law – 15 March 2018;
- b) Mr Arazi – 13 June 2018;
- c) Mr Gorenstein – 17 October 2018; and
- d) Mr Singleton – 1 January 2019;

each will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seek re-election from Shareholders.

3.2 Election of Charis Law

Ms Law, who has served as a Director since 15 March 2018, retires and seeks re-election.

(a) **Qualifications and other material directorships**

Charis has significant experience in accounting, corporate finance, strategy and business development in the aerospace, engineering, manufacturing and financial services sectors across Sydney, London and Perth. She has been involved in the commercialisation and global expansion of industrial technology companies in her roles as the Chief Commercial Officer at Orbital Corporation Limited (ASX: OEC) and the Commercial Development Manager at Austal Limited (ASX: ASB).

Charis is an Australian Chartered Accountant and holds a Bachelor of Commerce and Bachelor of Arts degree from the University of Western Australia.

(b) **Independence**

If elected the Board considers that Ms Law is an independent director.

(c) **Board recommendation**

The Board supports the election of Ms Law and recommends that Shareholders vote in favour of Resolution 2.

3.3 Election of Dan Arazi

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

(a) **Qualifications and other material directorships**

Mr Arazi is a serial entrepreneur and has been involved in a number of startups in Israel, most particularly in the telecom and internet space. He was a leading film producer in Israel and has a member of the Board of the Israeli Film Council. He is currently Chairman of the Israel AeroClub Gliding Association, and the President of the Keiretsu Forum, the Israeli Chapter of the 100+ Angels Club.

Mr Arazi is also a co-founder and executive at Orckit Communications (NASDAQ: ORCT), and previously led the company marketing, sales and business development. Mr Arazi holds a Bachelor of Economics and History from The Hebrew University of Jerusalem.

(b) **Independence**

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

(c) **Board recommendation**

The Board supports the re-election of Mr Arazi and recommends that Shareholders vote in favour of Resolution 3.

3.4 Election of Stephen Gorenstein

Mr Gorenstein, who has served as a Director since 17 October 2018, retires and seeks re-election.

(a) **Qualifications and other material directorships**

Stephen graduated from Monash University with Bachelors and Honours in Science majoring in Geology and Geophysics as well as a Masters degree in Accounting & Finance.

Stephen is a Director of Jindalee Partners and he has over 15 years' experience in the capital markets including equity analyst roles at both Goldman Sachs and Merrill Lynch. He was formerly the Regional Head of Asia Pacific Metals and Mining at Bank of America Merrill Lynch.

He has extensive networks in the Australian capital markets and is active in cross border transactions particularly sourcing high quality technology companies from Israel looking to establish themselves in Australia.

(b) **Independence**

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

(c) **Board recommendation**

The Board supports the election of Mr Gorenstein and recommends that Shareholders vote in favour of Resolution 4.

3.5 Election of Chris Singleton

Mr Singleton, who has served as a Director since 1 January 2019, retires and seeks re-election.

(a) **Qualifications and other material directorships**

Chris is currently the Managing Director of Minaret Capital, a provider of corporate advisory and growth strategies to Australian businesses.

Chris has held numerous directorship roles with public and private companies and has successfully founded and sold businesses including: Votel, a service provider acquired by Vodafone, B Digital, that was funded by Australian Capital Equity and eventually acquired by Soul Pattinson; Managing Director of Impress Energy, acquired by Beach Petroleum and recruitment solutions, Total Staffing Solutions and UltimateSkills, that were both acquired by Humanis Group.

(b) **Independence**

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

(c) **Board recommendation**

The Board supports the re-election of Mr Singleton and recommends that Shareholders vote in favour of Resolution 5.

4. RESOLUTION 6 – APPOINTMENT OF AUDITOR AT FIRST AGM

The Directors of a public company must appoint an auditor within one month of registration. The directors have appointed BDO Audit (WA) Pty Ltd as the Company's auditor.

The auditor of a public company so appointed within one month of registration holds office until the first annual general meeting of the Company. The auditor must be re-appointed at the first annual general meeting so that they may continue to act as auditor of the Company.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a shareholder for BDO to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure B.

BDO has given its written consent to act as the Company's auditor subject to shareholder approval of this resolution.

If this resolution is passed, the appointment of BDO as the Company's auditor will take effect at the close of this Meeting.

5. RESOLUTIONS 7 – 12

5.1 Background

On 12 April 2019, the Company announced that it had resolved to undertake a placement to raise up to \$1.54 million (before costs) (**Placement**). The Placement comprises two tranches consisting of:

- (a) the issue of 10,299,998 Shares at a price of \$0.075 per Share (**Tranche 1 Placement Shares**) with one free attaching Option issued for every 10.78 Tranche 1 Placement Share issued (rounded up to the nearest number) (**Tranche 1 Options**) to sophisticated investors comprising the Tranche 1 Placement Participants (or their nominees) to raise up to \$772,500 (before costs) (**Tranche 1 Placement**); and
- (b) the issue of 10,279,189 Shares at a price of \$0.075 per Share (**Tranche 2 Placement Shares**) with one free attaching Option issued for every 10.78 Tranche 2 Placement Share issued (rounded up to the nearest number) (**Tranche 2 Options**), to sophisticated investors comprising the Tranche 2 Placement Participants (or their nominees) to raise up to \$770,939 (before costs) (**Tranche 2 Placement**).

The Tranche 1 Options and Tranche 2 Options:

- (a) each have an exercise price of \$0.1125 and an expiry date of five years from the date of issue; and
- (b) are issued on the terms contained in Annexure A.

The issue of the Tranche 1 Placement Shares and Options occurred on 17 April 2019. The Company anticipates that the issue of the Shares and Options pursuant to the Tranche 2 Placement will take place as soon as reasonably practicable after the Company obtains Shareholder approval, in any event, no later than three 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).

5.2 Use of Proceeds

The funds raised from the issue of the Tranche 1 Placement and the Tranche 2 Placement (if approved) will be used to fund the Company's product inventory and for general working capital purposes.

Capital Structure of the Company

The proposed capital structure of the Company following the Placement, is set out below.

	Number of Shares
Shares on issue prior to the Placement	96,442,485
Shares issued to the Tranche 1 Placement Participants (Resolution 7)	10,299,998
Shares to be issued to the Tranche 2 Placement Participants (Resolution 8)	10,279,189
Total number of Shares	117,021,672
	Number of Options
Options on issue prior to the Placement	67,208,198

Options issued to the Tranche 1 Placement Participants (Resolution 7)	955,480
Options issued to the Tranche 2 Placement Participants (Resolution 8)	953,544
Total number of Options	69,117,222

5.3 Directors Recommendation

The Directors consider the Placement to be in the best interests of the Company and recommend that Shareholders vote in favour of Resolutions 6-9 to give effect to the Placement.

The Directors, except for Charis Law, intend to participate in the Placement subject to Shareholder approval (see Resolutions 9-12).

6. RESOLUTION 7 – RATIFICATION OF TRANCHE 1 PLACEMENT SHARES AND OPTIONS

6.1 General

On 17 April 2019, the Company issued 10,299,998 Tranche 1 Placement Shares and 955,480 Options to Tranche 1 Placement Participants (or their nominees) to raise \$772,500 (before costs).

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Tranche 1 Placement Shares and Options (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.2 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) 10,299,998 Tranche 1 Placement Shares and 955,480 Tranche 1 Placement Options were issued;
- (b) the issue price was \$0.075 per Share and nil per Option (as the Options were issued free attaching with the Tranche 1 Placement Shares);

- (c) the Tranche 1 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 Tranche 1 Placement Shares and Options were issued to sophisticated and professional investors comprising the Tranche 1 Placement Participants (or their nominees), none of whom are related parties of the Company; and
- (f) the funds raised from this issue were used to fund the Company's product inventory and for general working capital purposes.

7. RESOLUTION 8 – APPROVAL TO ISSUE TRANCHE 2 PLACEMENT SHARES AND OPTIONS

7.1 General

Resolution 8 seeks Shareholder approval for the issue of up to 10,279,189 Tranche 2 Placement Shares and 953,544 Options.

A summary of Listing Rule 7.1 is provided in Section 6.1 above.

The effect of Resolution 8 will be to allow the Company to issue the Tranche 2 Placement Shares and Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number to be issued is up to 10,279,189 Tranche 2 Placement Shares and 953,544 Options;
- (b) the Shares and Options will be issued 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 ASX Listing Rules) and it is intended that issue of the Shares and Options will occur progressively;
- (c) the issue price will be \$0.075 per Tranche 2 Placement Share and nil per Option (as the Options will be issued free attaching with the Shares on a one Option for every 10.78 Shares basis);
- (d) the Shares and Options will be issued to sophisticated and professional investors comprising the Tranche 2 Placement Participants (or their nominees), none of whom are related parties of the Company;
- (e) the Shares issued 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;
- (f) the Options will be issued on the terms and conditions set out in Annexure A; and

- (g) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 7.2(e) of this Explanatory Statement.

8. RESOLUTIONS 9- 12 – APPROVAL TO ISSUE SECURITIES TO DIRECTORS

8.1 General

Pursuant to Resolution 8 the Company is seeking Shareholder approval for the issue of the Tranche 2 Placement Shares and Options.

Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi wish to participate in the Tranche 2 Placement.

Resolutions 9-12 seeks Shareholder approval for the issue of up to 1,279,800 Tranche 2 Placement Shares and 118,721 Tranche 2 Placement Options (**Related Party Securities**) to Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi (or their respective nominees) arising from their participation in the Placement (**Participation**).

8.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares and Options which constitutes giving a financial benefit and Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi are each a related party of the Company by virtue of being a Director.

The Directors (other than Eden Attias who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares and Options will be issued to Eden Attias on the same terms as securities issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

The Directors (other than Stephen Gorenstein who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares and Options will be issued to Stephen Gorenstein on the same terms as securities issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

The Directors (other than Chris Singleton who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares

and Options will be issued to Chris Singleton on the same terms as securities issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

The Directors (other than Dan Arazi who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares and Options will be issued to Dan Arazi on the same terms as securities issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

8.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Placement involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

8.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 9 – 12:

- (a) the Related Party Securities will be granted to Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi (or their nominees);
- (b) the number of Related Party Securities to be issued to Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi (or their nominees) is as follows:

Director	No. Shares	No. Options
Eden Attias	400,000	37,106
Stephen Gorenstein	400,000	37,106
Chris Singleton	200,000	18,553
Dan Arazi	279,800	25,956

- (c) the Related Party Securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.075 per Share, being the same as all other Shares issued under the Placement, and nil per Option as the Options will be issued free attaching with the Shares on a one Option for every 10.78 Shares basis;
- (e) the Shares issued 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;

- (f) the Options will be issued on the terms and conditions set out in Annexure A; and
- (g) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 7.2(e) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Securities to Eden Attias, Stephen Gorenstein, Chris Singleton and Dan Arazi (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

9 RESOLUTION 13 – APPROVAL OF 10% PLACEMENT CAPACITY

9.1 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.

An Eligible Entity is one that, as at the date of the relevant annual 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.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$10.1m (based on the number of Shares on issue and the closing price of Shares on the ASX on 24 April 2019).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: PRZ).

If Shareholders approve Resolution 13, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 13 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 13 for it to be passed.

9.2 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 13:

(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; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 8.1.1(a)(i), 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; and
- (ii) the date of approval by Shareholders of any transaction 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 13 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 24 April 2019.

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)	\$0.0475 (50% decrease in Issue Price)	\$0.095 (Issue Price)	\$0.1425 (50% increase in Issue Price)
Variable A 117,021,672	Shares issued - 10% voting dilution	11,702,167 Shares	11,702,167 Shares	11,702,167 Shares
	Funds raised	\$555,852	\$1,111,705	\$1,667,558
(50% Increase is Variable A) 175,532,508	Shares issued - 10% voting dilution	17,553,250 Shares	17,553,250 Shares	17,553,250 Shares
	Funds raised	\$833,779	\$1,667,558	\$2,501,338
(100% Increase in Variable A) 234,043,344	Shares issued - 10% voting dilution	23,404,334 Shares	23,404,334 Shares	23,404,334 Shares
	Funds raised	\$1,111,705	\$2,223,411	\$3,335,117

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 96,442,485 Shares on issue.
 - (ii) The 10,299,998 Tranche 1 Placement Shares and 10,279,189 Tranche 2 Placement Shares have been issued.
 - (iii) The issue price set out above is the closing price of the Shares on the ASX on 24 April 2019.
 - (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 the following purposes:

- (i) as 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; or
- (ii) as non-cash consideration for the acquisition of additional assets, as yet not identified, that are complimentary to the Company's existing business.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A 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 has not previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

9.3 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 13.

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.

BDO means BDO Audit (WA) Pty Ltd (ACN 112 284 787).

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.

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).

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

ANNEXURE A – TERMS OF CONDITIONS OF SUBSCRIPTION OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.1125 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is five (5) years from the date of issue (**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 (g)(ii) 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 – NOMINATION OF AUDITOR LETTER

9 April 2019

ParaZero Limited
C/- Nova Legal
Level 2
46-50 Kings Park Road
West Perth WA 6005

NOMINATION OF AUDITOR

I, Charis Wan Kar Law being a member of ParaZero Limited (Company), nominate BDO Audit (WA) Pty Ltd (ACN 112 284 787) in accordance with section 328B(1) of the Corporations Act 2001 (Cth) (Act) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act. Yours sincerely



CHARIS WAN KAR LAW

ANNEXURE C – ISSUES OF EQUITY SECURITIES SINCE 14 JUNE 2018

Date	Quantity	Class	Recipients	Issue price	Form of consideration
Issue – 17 April 2019 Appendix 3B – 17 April 2019	10,299,998	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 – 17 April 2019 Appendix 3B – 17 April 2019	955,480	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 – 29 January 2019 Appendix 3B – 29 January 2019	462,409	Shares ¹	Eligible Shareholders of the Company under the Entitlement Offer dated 21 December 2018	\$0.10 per Share	Amount raised = \$46,240 Amount spent = \$46,240 Use of funds Expenses of the Entitlement Offer, product inventory and working capital
Issue – 30 January 2019 Appendix 3B – 30 January 2019	8,000,000	Shares ¹	The Underwriters to the Entitlement Offer	\$0.10 per Share	Amount raised = \$800,000 Amount spent = \$800,000 Use of funds Expenses of the Entitlement Offer, product inventory and working capital
Issue – 4 February 2019 Appendix 3B – 4 February 2019	149,685	Shares ¹	Former employee of the Company	\$0.0027 per Share (issued upon exercise of unlisted options)	Amount raised = \$404 Amount spent = \$404 Use of funds Working capital

Notes:

- Fully paid ordinary shares in the capital of the Company, ASX Code: PRZ (terms are set out in the Constitution).
- Refer to Annexure A for the full terms and conditions of the Options.

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