

## APPENDIX 4E

### PRELIMINARY FINAL REPORT

#### 1. DETAILS OF REPORTING PERIOD

Name of Entity	ParaZero Limited (“the Company”)
ABN	17 618 678 701
<b>Reporting Period</b>	<b>31 December 2019</b>
Previous Corresponding Period	31 December 2018
Presentation Currency	US Dollars

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

Key information	12 months ended 31 Dec 2019 \$'000	12 months ended 31 Dec 2018 \$'000	Increase/ (decrease) %	Amount change \$'000
Revenues from ordinary activities	1,584	662	139.27%	922
Loss from ordinary activities after tax attributable to members	(1,993)	(4,539)	(56.09%)	2,546
Net loss for the year attributable to members	(1,993)	(4,539)	(56.09%)	2,546

	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:

Refer to section 14 below.

#### 3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached consolidated financial statements.

#### 4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

#### 5. STATEMENT OF CASH FLOWS

Refer to attached consolidated financial statements.

#### 6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached consolidated financial statements.

**7. DIVIDENDS/DISTRIBUTIONS**

No dividends declared in current or prior year.

**8. DETAILS OF DIVIDEND REINVESTMENT PLANS**

Not Applicable

**9. NET TANGIBLE ASSETS PER SHARE**

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Net tangible asset backing per ordinary security	0.44 cents	0.57 cents

**10. 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
Profit/(loss) 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
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

**11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

Name of associate or joint venture entity	N/A	
Reporting entity's percentage holding in this entity	N/A	
Contribution to net profit/(loss) (where material)	Current Period	Previous Period
Aggregate share of profits/(losses) of the above entity (where material)	Current Period	Previous Period

**12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

Refer to attached consolidated financial statements.

**13. FOREIGN ENTITIES**

Not Applicable

**14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION**

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Refer to commentary on page 1 of the attached Preliminary Final Report.

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**15. AUDIT**

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This report is based on accounts which are in the process of being audited. It is likely that the Auditor will issue an Independent Auditor's Report that will contain an Emphasis of Matter drawing attention to a material uncertainty related to going concern. The attached preliminary financial report has been prepared on a going concern basis.

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Eden Attias  
**Chief Executive Officer**

28 February 2020

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# PARAZERO LIMITED

ABN 17 618 678 701

**PRELIMINARY FINAL REPORT**  
**31 DECEMBER 2019**



**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**Review of operations**

Unless otherwise stated all figures in this report are in the Company's presentation currency US\$.

ParaZero Limited had a loss for the year ending 31 December 2019 of \$1,992,642 (2018: \$4,539,064). The net assets of the Group have increased by \$61,754 from net assets of \$498,389 at 31 December 2018 to net assets of \$560,143 at 31 December 2019.

As at 31 December 2019, the Group's cash and cash equivalents decreased from \$584,782 at 31 December 2018 to \$207,758 at 31 December 2019.

**Significant changes in the state of affairs**

There were no significant changes to the Company or the state of its affairs during the year.

**Additional requirements for capital**

The Group's future capital requirements depend on numerous factors. The Group will require further funding – the amount will depend on the Group's ability to generate income and the extent of development activities. Any additional equity financing may dilute existing shareholders. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and/or scale back its development programmes as the case may be. There is no guarantee that the Group will be able to secure additional funding or be able to secure funding on terms acceptable to the Group.

**Highlights during the year**

During the year ended 31 December 2019, the Company had the following highlights:

- ParaZero launched drone safety system for consumer market
- Entitlement Offer closed raising a total of A\$846,241
- ParaZero expanded footprint in Europe with new Hungarian distributor
- ParaZero's SafeAir is the first drone safety system to comply with Slovenia's UAS parachute regulation
- ParaZero's SafeAir achieved compliance with new ASTM standard
- Capital raising of A\$1.54m (before costs) via a placement to institutional and sophisticated investor
- Federal Aviation Administration granted groundbreaking approval to fly over people for UAS operator using ParaZero safety system
- ASTM compliant SafeAir Mavic launched
- First FAA flight over people approval granted to operator using ParaZero's SafeAir Mavic
- ParaZero's SafeAir unlocks flight over people in Canada
- ParaZero received purchase orders of US\$235,000
- Capital raising of A\$642,000 (before costs) via a placement to institutional and sophisticated investors
- ParaZero partnered with SkyWatch.AI Drone Insurance, a prominent risk-assessment and InsurTech platform for the drone industry

**Significant events after the reporting period**

Since the reporting date, the following significant events have occurred:

- ParaZero issued A\$175,000 worth of convertible notes



**Edén Attias**  
*Chief Executive Officer*

**PARAZERO LIMITED**  
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
Revenue		1,583,543	662,046
Cost of sales		(1,307,108)	(435,567)
<b>Gross profit</b>		<b>276,435</b>	<b>226,479</b>
Research and development expenses		(389,996)	(1,495,148)
General and administrative expenses		(1,127,669)	(1,099,133)
Selling and marketing expenses		(639,695)	(774,040)
Depreciation expenses		(17,201)	(14,774)
Share-based payments	4	-	(1,368,058)
<b>Loss before finance expenses</b>		<b>(1,898,126)</b>	<b>(4,524,674)</b>
Finance expenses		(94,516)	(14,390)
<b>Loss before income tax</b>		<b>(1,992,642)</b>	<b>(4,539,064)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(1,992,642)</b>	<b>(4,539,064)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		908	(186,679)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(1,991,734)</b>	<b>(4,725,743)</b>
<b>Loss per share attributable to owners of the Company</b>			
Basic/diluted loss per share (cents per share)	2	(1.811)	(0.072)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		207,758	584,782
Trade and other receivables		154,581	268,310
Inventory		751,662	857,631
<b>TOTAL CURRENT ASSETS</b>		<b>1,114,001</b>	<b>1,710,723</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		78,283	94,114
<b>TOTAL NON-CURRENT ASSETS</b>		<b>78,283</b>	<b>94,114</b>
<b>TOTAL ASSETS</b>		<b>1,192,284</b>	<b>1,804,837</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		400,719	774,578
Credit and current maturities of long-term loans		90,248	55,738
Other financial liability		-	100,417
<b>TOTAL CURRENT LIABILITIES</b>		<b>490,967</b>	<b>930,733</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liability		141,174	375,715
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>141,174</b>	<b>375,715</b>
<b>TOTAL LIABILITIES</b>		<b>632,141</b>	<b>1,306,448</b>
<b>NET ASSETS</b>		<b>560,143</b>	<b>498,389</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	3	10,681,414	8,627,926
Share-based payment reserves	4	1,988,085	1,988,085
Predecessor accounting reserve		(188,690)	(188,690)
Foreign exchange reserve		(185,771)	(186,679)
Accumulated losses		(11,734,895)	(9,742,253)
<b>SHAREHOLDERS' EQUITY</b>		<b>560,143</b>	<b>498,389</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019**

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 January 2018</b>	<b>1,196,187</b>	<b>341,000</b>	-	-	<b>(5,203,189)</b>	<b>(3,666,002)</b>
Loss for the year	-	-	-	-	(4,539,064)	(4,539,064)
Other comprehensive loss	-	-	-	(186,679)	-	(186,679)
Total comprehensive loss for the year	-	-	-	(186,679)	(4,539,064)	(4,725,743)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	8,118,965	-	-	-	-	8,118,965
Capital raising costs	(408,199)	-	-	-	-	(408,199)
Share based payments	(279,027)	1,647,085	-	-	-	1,368,058
Transactions under common control	-	-	(188,690)	-	-	(188,690)
<b>Balance at 31 December 2018</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>
<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 year	-	-	-	-	(1,992,642)	(1,992,642)
Other comprehensive income/(loss)	-	-	-	908	-	908
Total comprehensive loss for the year	-	-	-	908	(1,992,640)	(1,991,734)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	2,119,421	-	-	-	-	2,119,421
Capital raising costs	(65,933)	-	-	-	-	(65,933)
Share based payments	-	-	-	-	-	-
<b>Balance at 31 December 2019</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>

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.



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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,467,875	514,493
Payments to suppliers and employees		(3,936,639)	(4,346,952)
Interest received		408	1,122
Interest paid		(15,143)	(6,635)
<b>Net cash (used in) operating activities</b>		<b>(2,483,499)</b>	<b>(3,837,972)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(1,369)	(27,534)
Cash held by the Company at acquisition date		-	15,441
<b>Net cash provided (used in) investing activities</b>		<b>(1,369)</b>	<b>(12,093)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issue of shares	3	2,053,488	3,391,193
Change in bank overdraft		90,248	(36,754)
Proceeds from convertible loans		-	1,263,830
Repayment of borrowings		(55,738)	(59,122)
Proceeds, net of repayment of Israel Innovation Authority grants		98,313	101,189
<b>Net cash provided by financing activities</b>		<b>2,186,311</b>	<b>4,660,336</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(298,557)</b>	<b>810,271</b>
Cash and cash equivalents at the beginning of the financial year		584,782	53,983
Impact of movement in foreign exchange rates		(78,467)	(279,472)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>207,758</b>	<b>584,782</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This preliminary report has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standard Board (AASB) and the Corporations Act 2001.

**a) Basis of Measurement and Reporting Conventions**

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

This preliminary report is based on accounts which are in the process of being audited. It is likely that the Auditor will issue an Independent Auditor's Report that will contain a Matter of Emphasis drawing attention to a material uncertainty related to going concern. The preliminary report has been prepared on a going concern basis.

**b) Adoption of New and Amended Accounting Standards**

The Group had to change its accounting policies as a result of the adoption of *AASB 16 Leases* as from 1 January 2019. The impact of the adoption of this Standard and the new accounting policy are disclosed in note 1(c) below.

**c) Changes in Accounting Policies**

This note explains the impact of the adoption of *AASB 16 Leases* on the Group's consolidated financial statements and disclosed the new accounting policies that have been applied from 1 January 2019.

**AASB 16 Leases – Accounting Policies applied from 1 January 2019**

**The Group as a lessee**

At inception of a contract, the Group assesses if the contract contains characteristics of a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on the index of the rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise its options;
- lease payments under extension profits, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

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**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group does not currently have any leases that would require recognition of a right-of-use asset in the currently reporting period.

**d) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Estimates and judgements**

Fair value of long-term liabilities

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

**NOTE 2: LOSS PER SHARE**

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
<b>Loss per share (EPS)</b>		
a) Loss used in calculation of basic EPS and diluted EPS	(1,992,642)	(4,539,064)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	110,055,249	62,856,651

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 31 December 2018 has been adjusted to reflect the capital reorganisation.

**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 3: ISSUED CAPITAL**

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
<b>(a) Share Capital</b>		
127,275,427 (31 December 2018: 87,830,391) fully paid ordinary shares	10,681,414	8,627,926

<b>(b) Movement in Ordinary Capital</b>	<b>No. of shares</b>	<b>Total* US\$</b>
<b>Opening balance as at 1 January 2019</b>	<b>87,830,391</b>	<b>8,627,926</b>
Issue of shares (i)	462,409	33,056
Issue of shares (ii)	8,000,000	575,473
Exercise of share options (iii)	149,685	292
Issue of shares (iv)	10,299,998	553,497
Issue of shares (v)	10,279,189	537,041
Exercise of share options (vi)	33,756	62
Issue of shares (vii)	10,219,999	420,000
Capital raising costs	-	(65,933)
<b>Closing balance at 31 December 2019</b>	<b>127,275,427</b>	<b>10,681,414</b>

\* Due to rounding, the figures may not precisely reflect the absolute figures obtained on multiplying the number of shares by the unit price.

(i) Issue of fully paid ordinary shares at A\$0.10 (~US\$0.07148) each on 29 January 2019 pursuant to an Entitlement Offer.

(ii) Issue of fully paid ordinary shares at A\$0.10 (~US\$0.7193) each on 30 January 2019 pursuant to an Entitlement Offer.

(iii) Exercise of unlisted options at A\$0.0027 (~US\$0.00195) each on 4 February 2019.

(iv) Issue of fully paid ordinary shares at A\$0.075 (~US\$0.05374) each on 17 April 2019 pursuant to a Placement.

(v) Issue of fully paid ordinary shares at A\$0.075 (~US\$0.05225) each on 24 June 2019 pursuant to a Placement.

(vi) Exercise of unlisted options at A\$0.0027 (~US\$0.00184) each on 2 August 2019.

(vii) Issue of fully paid ordinary shares at A\$0.06 (~US\$0.0411) each on 5 November 2019 pursuant to a Placement.

**(c) 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. Any surplus funds are invested with major financial institutions.

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**PARAZERO LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**NOTE 4: SHARE-BASED PAYMENTS**

There were no share-based payments arrangements entered into by the Group during the year ended 31 December 2019.

**Share Based Payments Expense**

Share based payment expense at 31 December 2019 is comprised as follows:

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
ESOP performance options	-	1,311,058
Share option plan	-	57,000
Total expense recognised in profit or loss	-	1,368,058
Issue of 4,000,000 options to lead broker, deemed capital raising costs	-	279,027
Total expense recognised in equity	-	279,027
Total share-based payments expense	-	1,647,085

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