

Agreement executed to merge with Delta Drone South Africa

PARAZERO EXECUTES AGREEMENT TO MERGE WITH DELTA DRONE SOUTH AFRICA, PARAZERO TO APPLY FOR ASX RELISTING AND CHANGE ITS NAME TO DELTA DRONE INTERNATIONAL LIMITED

Deal highlights

- ParaZero Limited ("**ParaZero**") has agreed to acquire 100% of the issued share capital of Delta Drone South Africa ("**DDSA**").
- DDSA is a leading international player in the field of drones for professional and commercial use, with revenue in CY19 of approximately US\$2.12m¹ (A\$2.98m²).
- The merged entity plans to expand DDSA's "drones-as-a-service" business model initially into Australia and then grow globally.
- The combination of DDSA's operating experience and ParaZero's world leading safety technology will provide the merged entity with a significant competitive advantage.
- The merged entity will have a pro forma combined revenue in CY19 of approximately US\$4.13m (A\$5.79m³) and historical revenue growth exceeding 40%⁴ per annum.
- ParaZero will seek ASX relisting in conjunction with the merger and a proposed capital raising of between A\$3.5m and A\$5.0m at an issue price of \$0.04 cents per share.
- A notice of meeting will be issued to shareholders in the coming weeks for an extraordinary general meeting to approve the transactions.
- To reflect the change in focus ParaZero proposes to change its name to Delta Drone International Limited.

Transaction summary

ParaZero Limited ("**ParaZero**" or the "**Company**") is pleased to announce that it has entered into a share sale agreement ("**Share Sale Agreement**") to acquire 100% of the share capital in Delta Drone South Africa ("**DDSA**") from French listed entity Delta Drone SA ("**Proposed Transaction**"). In consideration for the acquisition, the Company will issue 203,512,750 ordinary shares ("**Consideration Shares**") and 45,000,000 performance shares ("**Performance Shares**") to Delta Drone SA in accordance with the Share Sale Agreement, subject to conditions including shareholder approval.

ParaZero will undertake a proposed capital raising to bolster its balance sheet and comply with ASX relisting requirements in conjunction with the merger. ParaZero intends to issue up to 125,000,000 ordinary shares ("**Shares**") under a prospectus at an issue price of \$0.04 per share to raise a minimum of \$3.5 million and a maximum of \$5 million ("**Proposed Capital Raising**").

¹ DDSA's CY19 revenue was 35,350,491 Rand which based on the exchange rate of 1 Rand = US\$0.0599967 as at 7 October 2020 is USD\$2,120,911.87.

² DDSA's CY19 revenue was 35,350,491 Rand which based on the exchange rate of 1 Rand = \$0.0842889 AUD as at 7 October 2020 is A\$2,980,164.84.

³ DDSA's CY19 combined revenue is approximately US\$ 4,128,800 which based on the exchange rate of 1 USD = \$0.712430 as at 7 October 2020 is A\$5,787,253.22.

⁴ Based on the audited revenue of ParaZero and DDSA for the financial years ended 2018 and 2019, DDSA's revenue has been translated to USD based on an exchange rate of 0.0577 being the rate at 30 June 2020.

The Proposed Transaction and Proposed Capital Raising are conditional on the Company obtaining all of the necessary regulatory and shareholder approvals and satisfying all other requirements of the ASX for the reinstatement of the Company's Shares to quotation on the ASX.

Delta Drone SA's overall relevant interest in the Company, assuming all Performance Shares ultimately convert into Shares in accordance with their terms, will be between approximately 59.4%⁵ (50.1% on a fully diluted basis), assuming the Company raises the maximum \$5 million under the Proposed Capital Raising, and 64.2%⁶ (53.5% on a fully diluted basis), assuming the Company raises the minimum \$3.5 million under the Proposed Capital Raising.

The Proposed Transaction will amount to a significant change in the nature and scale of the Company's current activities and as such, the Company is required to obtain approval from its shareholders and re-comply with Chapters 1 and 2 of the ASX Listing Rules ("**Listing Rules**").

Background on Delta Drone South Africa (DDSA)

DDSA is wholly-owned by Delta Drone SA. In 2016, DDSA acquired 74% of South Africa's Rocketmine Pty Ltd. DDSA is headquartered in Johannesburg and specialises in the provision of drone services for commercial use.

DDSA is a multinational group which aims to remove the compliance obstacles in relation to the provision of drone services to the mining, agricultural and engineering industries. DDSA operates in South Africa (Johannesburg), Ghana (Accra) and Namibia (Arandis). The business was built to meet the demand for fast and accurate survey data, as well as to support all the regulatory, insurance and maintenance requirements needed to run these services safely and consistently.

DDSA is a market leader in the provision of these services to mining and agricultural companies, particularly in Southern Africa.

DDSA operates through multiple trading companies, including Rocketmine South Africa, Rocketmine Ghana and Drone Safety and Legal. These allow the business to be scalable and meet the demands of fast-moving enterprise customers across multiple countries while maintaining the same levels of consistency and quality.

Under the Rocketmine brand, DDSA offers a range of services including aerial surveying and mapping, security and surveillance and blast monitoring and fragment analysis.

DDSA derives the majority of its revenue from providing drone services and technology solutions to mining and agricultural companies.

Over the past six years, the Rocketmine division of DDSA has built strong and enduring relationships with its mining customers. These customers utilise Rocketmine's services to conduct aerial survey data collection and analysis.

DDSA's clients include listed companies such as South 32 and Newmont Mining.

DDSA's business model is dependent on DDSA receiving governmental licenses, permits and other regulatory approvals in order to operate its services in Southern Africa. DDSA only requires Civil Aviation Safety Authority ("**CASA**") approval and a remotely piloted aircraft operator certificate from the relevant regional authority to use its technology. Delta Drone Safety and Legal (Pty) Ltd has been granted training approval from the civil aviation authority in South Africa. DDSA holds CASA approvals and operating certificates in South Africa, Ghana and Namibia. DDSA also holds the following additional licenses and other regulatory approvals in relation to its business operations:

- Department of Transport Air Services Licence (South Africa);
- Minerals Commission Licence (Ghana); and
- Namibia Civil Aviation Authority Flight Operating Exemption (Namibia).

⁵ This includes the conversion of the Second Tranche Notes and Third Tranche Notes (as defined below) into Shares. This also assumes that no other securities are issued by the Company before Completion and otherwise prior to the conversion of the Performance Shares.

⁶ As above.

DDSA plans to expand its operations into the Australian drone services market where it sees significant opportunity to leverage its existing operational expertise and the Company's safety technology within the mining industry.

Business Model Overview

The Company's main objectives on completion of the Proposed Transaction are to:

- (a) build a globally orientated "drones-as-a-service" business based in Australia;
- (b) provide its drone services to key mining and agricultural markets in Australia and Southern Africa before expanding into other commercial and industrial sectors; and
- (c) build a diverse customer base through the development of a range of additional enterprise software solutions.

Change of name

Following completion of the Proposed Transaction, the Company proposes to change its name to Delta Drone International Limited. The Company will seek shareholder approval for the proposed change of name. It is anticipated that the Company's shares will commence trading under a new ASX Code of "DLT" shortly after relisting.

Pro Forma Balance Sheet

Set out in Schedule 1 is the pro forma consolidated statement of financial position for the merged ParaZero and DDSA as at 30 June 2020, adjusted to reflect the Proposed Transaction and the Proposed Capital Raising.

Each of ParaZero and DDSA's 2018, 2019 and half year 2020 audited accounts can be found at <https://parazero.com/investor-relations/financial-reports/>.

Summary of the Proposed Transaction

On 7 October 2020, the Company entered into a Share Sale Agreement to acquire, subject to the satisfaction of the condition precedent, 100% of the issued share capital in DDSA. Under the Proposed Transaction, Delta Drone SA will be entitled to receive 203,512,750 Consideration Shares and up to 45,000,000 Performance Shares. The key terms of the Share Sale Agreement are set out below:

- (a) **(Condition Precedent):** Completion under the Share Sale Agreement is subject to the Company re-complying with the requirements to re-list on the Official List (or waiver of such condition precedent). Under the Share Sale Agreement, the condition precedent must be satisfied by 31 December 2020 unless otherwise agreed to be extended by the parties.
- (b) **(Consideration):** Upon completion of the Proposed Transaction, the Company will issue 203,512,750 Consideration Shares to Delta Drone SA. As part of the agreed incentive arrangements, the Company will also issue to Delta Drone SA, subject to the achievement of certain performance milestones, up to 45,000,000 Performance Shares in three tranches as deferred consideration. The Performance Shares will be issued in three tranches, with each Performance Share converting into one Share subject to the achievement of the following milestones set out below:

Class A Performance Shares

20,000,000 Class A Performance Shares will convert into Shares on a one-for-one basis if DDSA achieves consolidated revenue (only DDSA and excluding the Company) for any full financial year (being 1 January to 31 December) during the three-year term of the Class A Performance Shares of not less than US\$3.2 million (based on audited accounts).

Class B Performance Shares

15,000,000 Class B Performance Shares will convert into Shares on a one-for-one basis if during the three year term of the Class B Performance Shares, DDSA enters into at least two binding contracts with Australian based mining companies (being companies that

conduct mining, exploration or extraction activities) for the provision of drone survey or mapping solutions services to those mining companies in Australia ("**Services**") and DDSA receives not less than US\$1,000,000 (based on audited accounts) of verified revenue in aggregate from such executed contracts received within the three year term of the Performance Shares for its Services.

Class C Performance Shares

10,000,000 Class C Performance Shares will convert into Shares on a one-for-one basis if during the three year term of the Class C Performance Shares the Company announces to the ASX that DDSA has expanded the services of its business offering (being the provision of drone survey and mapping solutions) into a new geographic location outside of Australia, Israel, South Africa, Ghana and Namibia and achieved revenue in that new geographic location of not less than US\$1,000,000 (based on audited accounts).

ASX has confirmed that the terms of the Performance Shares are appropriate and equitable pursuant to Listing Rule 6.1.

- (c) (**Completion**): Completion of the Proposed Transaction will take place immediately prior to the date on which the Shares are issued under the Proposed Capital Raising, following shareholder approval and ASX approval to the relisting.

The Share Sale Agreement is otherwise on terms and conditions considered standard for agreements of this nature, including business warranties and indemnities in relation to DDSA given in favour of the Company.

In connection with the Proposed Transaction, Delta Drone SA has obtained approval from the Federal Treasurer to be issued Shares in accordance with the requirements of the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Proposed Capital Raising

In conjunction with the Proposed Transaction, the Company will undertake an equity offering to raise between \$3.5 million and \$5 million. Pursuant to the Proposed Capital Raising, the Company will issue up to 125,000,000 Shares under a Prospectus at an issue price of \$0.04 per Share. The Prospectus will be issued in order to re-comply with ASX's admission and quotation requirements in accordance with Chapter 1 of the Listing Rules. The Company believes that \$3.5 million will be sufficient to meet its operating needs post-relisting for at least 18 months.

The Company intends to invest the funds raised under the Proposed Capital Raising in research and development, infrastructure, sales and marketing. The remaining amount will be used for transaction costs, to repay short term bridge financing and for working capital purposes. Further details are set out below.

The Company has appointed Baker Young Limited (ACN 006 690 320) as lead manager for the Proposed Capital Raising. The Proposed Capital Raising will not be underwritten.

Delta Drone SA has expressed an intention to invest up to \$500,000 into the Proposed Capital Raising.

Previous Security Issues

In the six months prior to the date of this announcement, the Company has completed the following security issues:

Ordinary Fully Paid Shares on conversion of Convertible Notes

On 7 August 2020, the Company issued 11,806,672 Shares upon the conversion of 644,000 first tranche notes ("**First Tranche Notes**") issued between 3 February 2020 and 27 April 2020 to Delta Drone SA and a number of other Shareholders of the Company ("**Noteholders**"). In consideration for the issuance of the First Tranche Notes the Company received \$644,000 from the Noteholders. The conversion of the First Tranche Notes was approved by Shareholders at

the Company's annual general meeting held on 28 July 2020. The First Tranche Notes were converted into Shares at a conversion price of \$0.06 per share and in addition the Noteholder received bonus shares equivalent to 10% of the First Tranche Note value at a conversion price of \$0.06 per share upon conversion of their First Tranche Notes.

The Company applied the funds raised under the First Tranche Notes in accordance with the table set out below:

Expense type	Amount
Research and development	\$32,986
Product manufacturing and operating costs	\$44,733
Advertising and marketing	\$9,417
Staff costs	\$297,776
Administration and corporate costs	\$259,089
Total	\$644,000

Convertible Notes:

As announced to the market by way of an ASX announcement on 28 June 2020, the Company has issued second tranche notes ("**Second Tranche Notes**") aggregating to \$500,000. On 24 August 2020, the Company announced the issuance of third tranche notes ("**Third Tranche Notes**") aggregating to a further \$500,000. Both the Second Tranche Notes and the Third Tranche Notes were issued to Delta Drone SA. Subject to the receipt of shareholder approval, the Company intends for the Second Tranche Notes and Third Tranche Notes to convert in accordance with their terms.

If approved by Shareholders, each of the Second and Third Tranche Notes will automatically convert into Shares immediately upon the Company announcing to ASX the completion of the Proposed Transaction.

The Second Tranche Notes will be convertible into Shares at an issue price of \$0.04 and the Third Tranche Notes at an issue price of \$0.034. On conversion, the Company will issue an aggregate of 27,205,882 Shares to Delta Drone SA ("**Conversion Shares**").

All of the notes have been issued for use as bridging capital to enable the Company to fund the costs associated with the Proposed Transaction, as well as working capital requirements, employment expenses and advisory and consultant costs prior to the Company's relisting.

The detailed application of the funds raised from the Second Tranche Notes (being \$500,000 in aggregate) and the Third Tranche Notes (being \$500,000 in aggregate) is as follows:

USD	Jun-20	Jul-20	Aug-20	Sep-20
	Actual	Actual	Actual	Actual
Total Revenue	39,808	131,078	104,575	61,673
Total Cost of Sale	-33,056	-68,114	-8,788	-78,310
R&D	-753	-78,220	-52,988	-43,498
S&M	-2,046	-22,290	-22,583	-30,920
G&A	-58,487	-44,489	-42,069	-40,997
Finance & Capex	12,164	-23,074	34,980	-18,490
Australia	-13,532	-50,543	-99,657	-109,729
Total Burn (Including Cost of Sales)	-95,710	-286,730	-191,105	-321,943
Convertible Note 2	136,890	143,803	73,584	
Convertible Note 3			73,584	284,603
Open Cash Balance	42,575	123,563	111,713	172,352
Cash balance at end of Period	123,563	111,713	172,352	196,685

	Jun-20	Jul-20	Aug-20	Sep-20
AUD/USD	0.6844	0.7190	0.7358	0.7115

Notes:

1. The amounts listed for September 2020 are estimates only as these amounts remain subject to finalisation by the Company. The Company provides a quarterly report of its cash flow and discloses this to the market in an Appendix 4C. The September amounts will therefore be confirmed in the Company's next Appendix 4C to be released to the market prior to the end of October 2020, which is well in advance of the EGM.
2. In-flow of funds from the Second Tranche Notes was received on 12 June 2020 (\$200,000), 14 July 2020 (\$200,000) and 20 August 2020 (\$100,000).
3. In-flow of funds from the Third Tranche Notes was received on 20 August 2020 (\$100,000), 15 September 2020 (\$200,000) and 28 September 2020 (\$200,000).

No other capital raisings have been conducted by the Company in the previous 6 month period.

Delta Drone SA's entitlement in the Company

As at the date of this announcement, Delta Drone SA holds 9,240,004 Shares in the Company, reflecting a voting power of approximately 6.6%. Following the issue of the Consideration Shares, Performance Shares and the Conversion Shares, and assuming Delta Drone invests up to a further \$500,000 in the Proposed Capital Raising, the approximate maximum voting power of Delta Drone SA in the Company will be as follows:

Description	Number of Shares	Percentage holding (assuming \$3.5m raising)	Percentage holding (assuming \$5m raising)
Existing holding	9,240,004	2.0%	1.8%
Conversion Shares	27,205,882	5.9%	5.4%
Consideration Shares	203,512,750	43.9%	40.6%
Performance Shares ⁷	45,000,000	9.7%	9.0%
Investment in Proposed Capital Raising	12,500,000	2.7%	2.5%
Total	297,458,636	64.2%	59.4%

Changes to the Company's Board and management

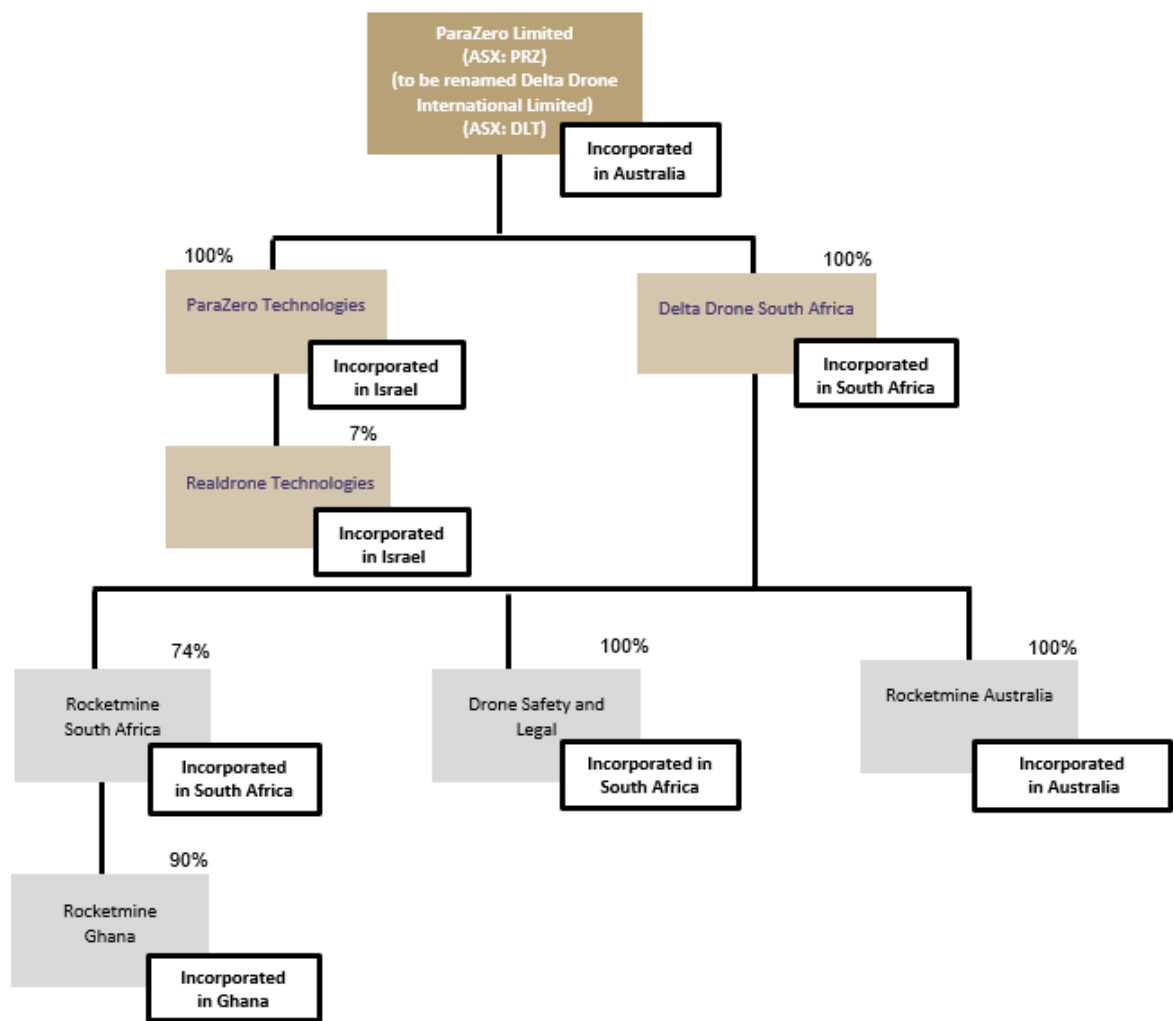
On completion of the Proposed Transaction, each of the existing Directors will remain as Directors of the Company and Christopher Clark will join the Board (subject to shareholder approval being obtained). Accordingly, on completion of the Proposed Transaction, the Board will comprise Christopher Clark, Eden Attias, Chris Singleton, Stephen Gorenstein and Dan Arazi. It is also proposed that Mr Clark will become the Company's CEO upon relisting, with current CEO Eden Attias becoming Executive Chairman of the Company.

Mr Clark has been involved in the mining services sector for over 10 years in South Africa, beginning with technology and communication projects for mining giant Anglo American. Mr Clark is currently the Group Managing Director for DDSA and Rocketmine. Mr Clark has spearheaded the development of the group across Africa, including in Ghana and Namibia, and has set up new verticals of the business in agriculture and executive training. Mr Clark holds a Bachelor of Accounting from the University of Johannesburg, as well as a Master of Business Administration from the University of Pretoria (Gordons Institute of Business Science).

⁷ Assumes all performance milestones are met and all Performance Shares convert into Shares.

Corporate Structure

The Company's group structure following completion of the Proposed Transaction is shown in the figure below:



In accordance with the Black Economic Empowerment Act of 2003 ("**BEE Act**") of South Africa, enterprises achieving a high level of compliance (which necessitates having a Black ownership component) benefit as they are afforded preference when tendering for the provision of services to other enterprises or government institutions. In order to achieve the highest BEE Act compliance rating, 26% of the ordinary share capital of Rocketmine (Pty) Ltd (Rocketmine South Africa) is held by Delta Drone Empowerment (Pty) Ltd, an enterprise that is wholly owned by Black people. Similarly, 10% of the ordinary share capital of Rocketmine Limited (Rocketmine Ghana) is held by Tony Nhyira Aikins, a resident of Ghana.

Indicative Timetable

Set out below is the expected timetable for completion of the Proposed Transaction and Proposed Capital Raising.

Action	Date
Notice of Extraordinary General Meeting sent to Shareholders	2 November
Prospectus lodged with ASIC	3 November
Opening date of the Proposed Capital Raising under the Prospectus	18 November
Shareholders to approve the resolutions at the Extraordinary General Meeting	3 December
Closing date of the Proposed Capital Raising under the Prospectus	4 December
Completion of the Proposed Transaction	7 December
Issue of Shares under the Proposed Capital Raising	8 December
Despatch of holdings statements	9 December
Re-quotation of the Shares on ASX	15 December

*These dates are indicative only and are subject to change without notice. The actual timetable will depend upon a number of factors including the timing of ASX approval.

Capital Structure

The pro forma capital structure of the Company on completion of the Proposed Transaction is set out below:

Capital Structure	Existing on issue	%	Based on \$3.5 mil raised	%	Based on \$5 mil raised	%
Existing Ordinary Shares	139,082,099	76.7%	139,082,099	25.0%	139,082,099	23.4%
Ordinary Shares for Acquisition Consideration	0	0.0%	203,512,750	36.6%	203,512,750	34.3%
Proposed Capital Raising Shares	0	0.0%	87,500,000	15.7%	125,000,000	21.0%
Ordinary Shares to be issued upon conversion of existing convertible notes	0	0.0%	27,205,882	4.9%	27,205,882	4.6%
CIH Broker Shares	0	0.00%	6,000,000	1.1%	6,000,000	1.0%
Total issued capital	139,082,099	76.7%	463,300,731	83.3%	500,800,731	84.3%
Options	15,026,696	8.3%	15,026,696	2.7%	15,026,696	2.5%
Delta Drone Performance Shares	0	0.0%	45,000,000	8.1%	45,000,000	7.6%
Future ESOP (unallocated)	0	0.0%	33,000,000	5.9%	33,000,000	5.6%
Existing Convertible Notes	27,205,882	15.0%	0	0.0%	0	0.0%
Fully diluted capital	181,314,677	100.0%	556,327,427	100.0%	593,827,427	100.0%

Indicative Use of Funds

The intended use of funds from the Proposed Capital Raising is as follows:

Item	Amount (based on \$3.5 mil raised)	Amount (based on \$5 mil raised)
Existing cash reserves of the Company as at the Prospectus Date ⁸	\$171,190	\$171,190
Funds raised under the Proposed Capital Raising	\$3,500,00	\$5,000,000
Total available	\$3,671,190	\$5,171,190
Expenses of the Proposed Capital Raising	\$819,372	\$917,606
Expenditure on technology and infrastructure associated with R&D in Australia and Israel ⁹	\$1,296,113	\$1,810,398
Costs associated with expansion of operations of the South African office including new verticals ¹⁰	\$415,800	\$415,800
Costs to establish an Australian Head Office ¹¹	\$357,143	\$571,429
Expenditure on Australian sales and marketing activities ¹²	\$571,402	\$857,116
Working Capital	\$211,360	\$598,841
Total	\$3,671,190	\$5,171,190

Short term bridge financing

Delta Drone SA has agreed to provide short term bridge financing by way of an unsecured line of credit up to A\$500,000 ("Loan Amount"). The Loan Amount will incur interest at 10% per annum and must be repaid on the later of the date on which the Company's relisting on the ASX occurs or 6 months following initial draw-down (which has not yet occurred).

Re-compliance with Chapters 1 and 2 of the Listing Rules

ASX confirmed that as part of the Proposed Transaction, the Company must obtain the approval of its Shareholders for the proposed change of activities and comply with the admission requirements of Chapters 1 and 2 of the Listing Rules which prescribe the conditions for official quotation.

As part of the re-compliance, the Company will seek to carry out the Proposed Capital Raising through the issue of a Prospectus. Following completion of the Proposed Capital Raising, the Company will have sufficient funds to carry out its proposed operational activities.

⁸ Assumes 30 September 2020 lodgement date for this purpose.

⁹ R&D Expenditure will include the development and implementation of new mapping software required for the mining services in Australia and Africa, the development of a new generation of drone safety devices and the purchase of the infrastructure (including the hardware and required drones) for the expansion of Delta Drone into the Australian market.^{ac}

¹⁰ The Company is currently in the second year of developing the agriculture brand Rocket Farm, which focuses on supplying enterprise Drone Data services for the Precision Agriculture market. These costs include the new software development, hardware testing and hiring 4 new employees.

¹¹ These costs include a central head office in Melbourne and two further branches in Adelaide and Brisbane with an aim to target the mining and agriculture sectors. These costs also include operations, management and administrative salaries.

¹² These costs include the hiring of experienced business development managers, national travel costs, partnership and sponsorship activities.

Shareholder Approvals

A notice of meeting seeking shareholder approval in connection with the Proposed Transaction will be sent to shareholders in the coming weeks (refer to timetable for indicative date).

It is expected that the Company will convene an extraordinary general meeting of its shareholders to be held in December 2020 ("EGM") to facilitate shareholder approval for the following:

- (a) the change in nature and scale of the Company's activities under Listing Rule 11.1.2;
- (b) the issue of a new class of securities, that is, the Class A, Class B and Class C Performance Shares;
- (c) the issue of the upfront consideration shares, Performance Shares and shares issued upon conversion of the Notes to Delta Drone SA and as a result, an increase in the voting power of Delta Drone SA to a maximum of approximately 64.2%;
- (d) the Proposed Capital Raising;
- (e) the Notes becoming convertible in accordance with the terms of the Notes;
- (f) the appointment of Christopher Clark as a director; and
- (g) the change in the Company name to "Delta Drone International Limited".

It is expected that the Company's securities will remain suspended from quotation on ASX until the Company has re-complied with Chapters 1 and 2 of the Listing Rules and the Proposed Transaction completes.

If Shareholders do not approve the Proposed Transaction, the suspension is expected to be lifted once ASX confirms that the Company meets the requirements to be reinstated to the Official List (including compliance with Listing Rule 12.1 and 12.2) and then after the Company has made an announcement to the market confirming the results of the EGM and that it will not be proceeding with the Proposed Transaction.

ASX Waivers and Confirmations

ASX has given in-principle advice on 17 July 2020 that based on the information provided and the facts known to ASX at that time, ASX is not aware of any reasons that would cause the Company not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 Condition 1.

The ASX has granted to the Company a waiver from Listing Rule 2.1 Condition 2 to the extent necessary to permit the issue of up to 125,000,000 Shares pursuant to the Proposed Capital Raising at an issue price of less than \$0.20 per share, subject to the following conditions:

- the issue price of the Proposed Capital Raising Shares is \$0.04 per Share; and
- the terms of the waiver are disclosed to the market and, along with the terms and conditions of the Proposed Capital Raising Shares, are clearly disclosed in the notice of meeting pursuant to which the Company will seek the required approval under Listing Rule 11.1.2 for the Proposed Acquisition and in the prospectus to be issued in respect of the Proposed Capital Raising.

The ASX has confirmed that the terms of the Performance Shares are appropriate and equitable pursuant to Listing Rule 6.1.

Key risks of DDSA

(a) Relationships with customers

DDSA has a number of commercial arrangements with its key customers. The vast majority of DDSA's customers are mining companies. Rocketmine, the brand through which DDSA operates, has built strong and enduring relationships with its customers that span up to six years. A lesser number of DDSA's customers are agricultural companies, including Pioneer and Villa Crop.

While the Directors do not believe that there is any current material threat to existing customer relationships, there is a risk that the loss of a major customer could result in a material reduction in profits for DDSA.

(b) Doing business in Africa

The multi-jurisdictional nature of DDSA means that DDSA is exposed to risks such as labour practices, currency fluctuations, and difficulty in enforcing contracts, among many others. Management experience will help to mitigate, but will not remove this risk. DDSA is subject to the risks and uncertainties associated with operating in that region, including high rates of inflation, high levels of crime and corruption.

(c) Regulatory risk

As with any drone services offering, DDSA may be exposed to an adverse regulatory environment of a particular jurisdiction in relation to civil aviation and safety legislation. The South African regulatory environment is particularly stringent.

(d) Brand risks

DDSA has established its trademarks and believes global branding is critical for the long-term success of the business. Negative commentary or a complaint may have a damaging impact on DDSA to reach its potential. Further, third-party claims in respect of its trading name and in respect of the Rocketmine brand may negatively impact DDSA.

(e) Regulatory compliance

DDSA is required to comply with the laws governing privacy, taxation and consumer trade practices in the jurisdictions in which it operates, as well as other laws in jurisdictions in which it plans to operate, which may change from time to time.

Regulatory Requirements

- the Proposed Transaction requires Shareholder approval under the Listing Rules and therefore may not proceed if that approval is not received;
- the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules in order to complete the Proposed Transaction under Listing Rule 11.1.3. Accordingly, the Company will take the necessary steps to meet the requirements of Chapters 1 and 2 as if the Company were applying for admission to the official list of ASX;
- the ASX may impose further conditions on the Company's reinstatement to the official list. There is a risk that the Company will not be able to satisfy one or more of those requirements and that the Shares will remain suspended from quotation;
- ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities and therefore the Proposed Transaction may not proceed if ASX exercises this discretion; and
- investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

Furthermore, the Company notes:

- ASX takes no responsibility for the contents of this announcement; and
- the Company confirms it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

The Company has made a number of enquiries and investigations into the business and assets of DDSA. Prior to entering into a letter of intent with DDSA, the Company conducted due diligence investigations into the operations of DDSA together with enquiries into its assets and liabilities. Before executing the Share Sale Agreement, the Company engaged local advisers in South Africa and Ghana to conduct financial and legal due diligence of DDSA in these jurisdictions. The Company was satisfied with these due diligence investigations. The Company and its financial advisers have reviewed DDSA's historical accounts and is satisfied that the Proposed Transaction will help to achieve a profitable "drones-as-a-service" business. The Company believes it has made appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of DDSA for the Company's board to be satisfied that the Proposed Transaction is in the best interests of the Company and its shareholders.

Advisers

Baker Young Limited will act as lead manager in connection with the Proposed Capital Raising. The Company will pay Baker Young:

- a lead manager fee of 2% of the total funds raised under the Proposed Capital Raising;
- an advisor handling fee of 4% of the total funds raised under the Proposed Capital Raising; and
- a discretionary success fee.

The Company's corporate adviser in connection with the Proposed Transaction is Nero Capital. The Company will pay Nero Capital:

- a fee of 1% of the total funds raised under the Proposed Capital Raising; and
- a monthly retainer of \$5,000.

The Company has also agreed to issue 6,000,000 Shares to Cukierman & Co Investment House Ltd ("**CIH**") upon relisting in consideration for CIH having introduced the Company and DDSA to one another which has resulted in the Proposed Transaction.

There are no other fees, paid or payable, by the entity to any person for finding, arranging or facilitating the transaction.

Arnold Bloch Leibler is acting as the Company's Australian Legal Counsel in relation to the Proposed Transaction.

This announcement has been authorised by the Board of ParaZero Limited.

For more information please contact:

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Important notice

Some of the statements appearing in this announcement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which the Company operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. No forward-looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside the Company's control.

The Company does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of the Company, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by the Company. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision. By reviewing or retaining this announcement, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.

About ParaZero Limited:

ParaZero (www.parazero.com) was founded in 2014 to accomplish a vision to enable the drone industry to realise its greatest potential. ParaZero offers a smart and intuitive solution to enable drone industry growth by designing, developing and providing best-in-class autonomous safety systems for commercial drones.

Schedule 1 -Pro Forma Balance Sheet

Minimum subscription (based on the Company raising \$3.5 million under the Proposed Capital Raising)

	Parazero Reviewed as at 30-Jun-20 US\$	DDSA Reviewed as at 30-Jun-20 US\$	Subsequent events US\$	Pro-forma adjustments US\$	Pro-forma after issue US\$
CURRENT ASSETS					
Cash and cash equivalents	122,534	565,975	551,283	1,847,231	3,087,023
Trade and other receivables	123,335	288,815	-	-	412,150
Current tax receivable	-	25,959	-	-	25,959
Inventory	699,649	27,426	-	-	727,075
TOTAL CURRENT ASSETS	945,518	908,175	551,283	1,847,231	4,252,207
NON CURRENT ASSETS					
Property plant & equipment	69,838	255,364	-	-	325,202
Goodwill	-	378,499	3,925,000	-	4,303,499
Intangible assets	-	35,485	-	-	35,485
Right of use assets	-	91,832	-	-	91,832
Deferred tax	-	36,672	-	-	36,672
TOTAL NON CURRENT ASSETS	69,838	797,852	3,925,000	-	4,792,690
TOTAL ASSETS	1,015,356	1,706,027	4,476,283	1,847,231	9,044,897
CURRENT LIABILITIES					
Trade and other payables	239,337	20,856	-	-	260,193
Loans from Group Companies	-	1,800,898	(1,800,898)	-	-
Borrowings	26,312	-	-	-	26,312
Other financial liability	82,269	-	-	-	82,269
Current tax payable	-	1,125	-	-	1,125
Lease liabilities	-	38,792	-	-	38,792
Convertible notes	581,621	-	(581,621)	-	-
TOTAL CURRENT LIABILITIES	929,539	1,861,671	(2,382,519)	-	408,691
NON CURRENT LIABILITIES					
Other financial liability	177,136	-	-	-	177,136
Deferred tax	-	9,936	-	-	9,936
Lease liabilities	-	67,069	-	-	67,069
TOTAL NON CURRENT LIABILITIES	177,136	77,005	-	-	254,141
TOTAL LIABILITIES	1,106,675	1,938,676	(2,382,519)	-	662,832
NET ASSETS/(LIABILITIES)	(91,319)	(232,649)	6,858,802	1,847,231	8,382,065
EQUITY					

Issued Capital	10,681,414	671,786	(5,549,444)	2,187,845	7,991,601
Share based payments reserve	1,988,085	-	(1,988,085)	-	-
Predecessor accounting reserve	(188,690)	(560,994)	188,690	-	(560,994)
Foreign exchange reserves	(219,669)	5,036	219,669	-	5,036
Accumulated losses	(12,352,459)	(391,910)	13,987,972	(340,614)	902,989
TOTAL	(91,319)	(276,082)	6,858,802	1,847,231	8,338,632
Non controlling interest	-	43,433	-	-	43,433
TOTAL EQUITY	(91,319)	(232,649)	6,858,802	1,847,231	8,382,065

Maximum subscription (based on the Company raising \$3.5 million under the Proposed Capital Raising)

	Parazero Reviewed as at 30-Jun-20 US\$	DDSA Reviewed as at 30-Jun-20 US\$	Subsequent events US\$	Pro-forma adjustments US\$	Pro-forma after issue US\$
CURRENT ASSETS					
Cash and cash equivalents	122,534	565,975	551,283	2,813,193	4,052,985
Trade and other receivables	123,335	288,815	-	-	412,150
Current tax receivable	-	25,959	-	-	25,959
Inventory	699,649	27,426	-	-	727,075
TOTAL CURRENT ASSETS	945,518	908,175	551,283	2,813,193	5,218,169
NON CURRENT ASSETS					
Property plant & equipment	69,838	255,364	-	-	325,202
Goodwill	-	378,499	3,925,000	-	4,303,499
Intangible assets	-	35,485	-	-	35,485
Right of use assets	-	91,832	-	-	91,832
Deferred tax	-	36,672	-	-	36,672
TOTAL NON CURRENT ASSETS	69,838	797,852	3,925,000	-	4,792,690
TOTAL ASSETS	1,015,356	1,706,027	4,476,283	2,813,193	10,010,859
CURRENT LIABILITIES					
Trade and other payables	239,337	20,856	-	-	260,193
Loans from Group Companies	-	1,800,898	(1,800,898)	-	-
Borrowings	26,312	-	-	-	26,312
Other financial liability	82,269	-	-	-	82,269
Current tax payable	-	1,125	-	-	1,125
Lease liabilities	-	38,792	-	-	38,792
Convertible notes	581,621	-	(581,621)	-	-
TOTAL CURRENT LIABILITIES	929,539	1,861,671	(2,382,519)	-	408,691
NON CURRENT LIABILITIES					
Other financial liability	177,136	-	-	-	177,136
Deferred tax	-	9,936	-	-	9,936
Lease liabilities	-	67,069	-	-	67,069
TOTAL NON CURRENT LIABILITIES	177,136	77,005	-	-	254,141
TOTAL LIABILITIES	1,106,675	1,938,676	(2,382,519)	-	662,832
NET ASSETS/(LIABILITIES)	(91,319)	(232,649)	6,858,802	2,813,193	9,348,027
EQUITY					
Issued Capital	10,681,414	671,786	(5,549,444)	3,132,559	8,936,315

Share based payments reserve	1,988,085	-	(1,988,085)	-	-
Predecessor accounting reserve	(188,690)	(560,994)	188,690	-	(560,994)
Foreign exchange reserves	(219,669)	5,036	219,669	-	5,036
Accumulated losses	(12,352,459)	(391,910)	13,987,972	(319,366)	924,237
TOTAL	(91,319)	(276,082)	6,858,802	2,813,193	9,304,594
Non controlling interest	-	43,433	-	-	43,433
TOTAL EQUITY	(91,319)	(232,649)	6,858,802	2,813,193	9,348,027