

**ASX APPENDIX 4D
 HALF-YEAR FINANCIAL REPORT TO 30 JUNE 2019**
1. DETAILS OF REPORTING PERIOD

Name of Entity	ParaZero Limited ("the Company")
ABN	17 618 678 701
Reporting Period	30 June 2019
Previous Corresponding Period	30 June 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2019 US\$	30 June 2018 US\$	Increase/ (Decrease) %	Amount change US\$
Revenues from ordinary activities	675,977	288,471	134.33%	387,506
Profit/(loss) after tax from ordinary activities attributable to members	(1,337,773)	(1,481,511)	(9.70%)	143,738
Profit/(loss) after tax attributable to members	(1,337,773)	(1,481,511)	(9.70%)	143,738

	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:

For further information, refer to the review of activities contained in the directors' report, which forms part of the attached half-year financial report.

3. NET TANGIBLE ASSETS PER SHARE

	30 June 2019 US\$	30 June 2018 US\$
Net tangible asset backing per ordinary security	0.68 cents	2.76 cents

4. 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
Consolidated profit/(loss) from ordinary activities 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
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

5. DIVIDEND DETAILS

No dividend has been paid or recommended to be paid for the half-year ended 30 June 2019.

6. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

7. DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not applicable

8. FOREIGN ENTITIES

Not Applicable

9. AUDIT

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.



Mr Eden Attias
Executive Chairman & Chief Executive Officer

27 August 2019



PARAZERO
DRONE SAFETY SYSTEMS

ParaZero Limited

ACN 618 678 701

and its controlled entities

Half year report for the half-year ended

30 June 2019



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Company Directory

Board of Directors

B. Gen. (ret.) Eden Attias	Executive Chairman/Chief Executive Officer
Mr Dan Arazi	Non-Executive Director
Mr Stephen Gorenstein	Non-Executive Director
Ms Charis Law	Non-Executive Director
Mr Chris Singleton	Non-Executive Director

Company Secretary

Mr Stephen Buckley

Registered Office (Australia)

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Level 2, 46-50 Kings Park Road
West Perth WA 6005
Tel: +61(8) 6189 1155
Email: contact@parazero.com
Web: www.parazero.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Tel: 1300 288 664 (within Australia) | +61 2 9698 5414 (outside Australia)
Fax: +61 8 9321 2337
Email: hello@automic.com.au
Web: www.automic.com.au

Legal Advisers (Australia)

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Legal Advisers (Israel)

Shibolet
Museum Tower
4 Berkowitz Street
Tel Aviv Israel 6423806

Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152- 158 St Georges Terrace
Perth WA 6000

ASX Code

PRZ

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Half year report for the half-year ended 30 June 2019

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Directors' report

The directors of ParaZero Limited ("ParaZero" or "the Company") (ASX: PRZ) submit herewith the half-year report of ParaZero Limited and its controlled entities ("the Group") for the half-year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors of the Company during or since the end of the half-year are:

Mr Eden Attias	Executive Chairman/CEO
Mr Dan Arazi	Non-Executive Director
Ms Charis Law	Non-Executive Director
Mr Stephen Goreinstein	Non-Executive Director
Mr Chris Singleton	Non-Executive Director (appointed 1 January 2019)

The above-named directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Company Secretary

Mr Stephen Buckley

Business, operating and financial review

The net loss of the Group for the half-year ended 30 June 2019 after providing for income tax, amounted to \$1,337,773 (30 June 2018: \$1,481,511).

ParaZero Limited announced execution of the Company's Business Plan which included:

- Selling and distribution of the new Safe-Air Product for Phantom 4. The new Safe-Air system was launched at the end of 2018 and accounted for 30% of the reported revenue. It was developed during the reporting period.
- Unique regulatory landscape is pushing the industry forward. At the end of 2018, ParaZero managed to achieve the first ever waiver to fly over people base on safety system. By mid-June 2019, a drone operator was granted from the FAA, a 4 years waiver to fly over people base on ParaZero Safe-Air system, since then, 15 of those waivers have been granted.
- All of the Safe-Air Phantom 4 and Safe-Air Mavic line of product has been certified according to the new ASTM standard. Having ASTM certified product coupled with the new regulatory landscape allow the Company to move toward a one-time licencing model which produce a much higher gross profit. This will be significantly reflected over FY2020.

On the half-year report for the half-year ended 30 June 2019, the Company notes the following:

- The Group has encountered significant headwinds that have resulted in the financial loss being larger than expected, including:
 1. Increased tariffs in North America – ParaZero formed its main assembly line in China and was affected by the USA-China trading war and the increased tariff on imports from China.
 2. Higher cost of electronics – the original pricing estimation was based on larger quantities to be purchased and since the first batch ordered was more expensive, it affected the average price per unit.
 3. Higher than expected shipping costs due to the classification of batteries as dangerous goods.

4. Currency fluctuation - during the first half of 2019, both USD and EUR experienced above 5% decrease compared to the Israeli Shekel.
5. Penetration pricing - as part of the effort to penetrate new territories, one-time reduced prices were offered to significant distributors.

Subsequent to the half-year ended 30 June 2019, ParaZero's key objectives - include:

- Following the success in securing the first waivers for operations over people in the US and successfully demonstrating that its solution and process is scalable and replicable, the Company has shifted its business model to a hybrid model of hardware sales together with the licensing of documentation.
- ParaZero is also shifting resources and focus to expand its OEM (drone operators) partnerships. Drone manufacturers and operators whose aircraft will have a Type Certificate (TC) from civil aviation authorities will have a major advantage compared to those without.
- ParaZero is now moving to integrate several technologies and applications, including advance data and control systems, that it believes will increase drone safety both in the air and on the ground and will enable a wider range of operational activity for those drones.

Events subsequent to the reporting period

On 1 July 2019, the Company announced the cancellation of 2,247,971 Class A Performance Options, 6,962,609 Class B Performance Options and 6,562,609 Class C Performance Options.

On 15 July 2019, the Company announced that its ASTM compliant SafeAir Systems for the DJI Phantom 4 Series and DJI Mavic 2 Series comply with the latest Transport Canada regulations for operations over people. This allows licenced operators using the SafeAir Mavic + ASTM Professional Kit and the SafeAir Phantom + ASTM Professional Kit to operate over people, effective immediately.

On 17 July 2019, the Company announced that it has engaged the services of FMI Capital Advisory Inc. as its Canadian financial consultant in connection with a transaction or transactions whereby the Company is considering seeking a dual listing of its shares on a Canadian stock exchange.

On 2 August 2019, the Company issued 33,756 fully paid ordinary shares as a result of the exercise of unlisted options at A\$0.0027.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Eden Attias', is written over a horizontal line.

Mr Eden Attias
Executive Chairman
27 August 2019
Tel Aviv, Israel

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF PARAZERO LIMITED

As lead auditor for the review of Parazero Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Parazero Limited and the entity it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 27 August 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Parazero Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Parazero Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Dean Just
Director

Perth, 27 August 2019

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes as set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that ParaZero Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the directors



Mr Eden Attias
Executive Chairman
27 August 2019
Tel Aviv, Israel

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2019

	Note	Consolidated	
		Half-year ended	
		30 Jun 2019	30 Jun 2018
		US\$	US\$
Revenue		675,977	288,471
Cost of sales		(669,336)	(205,072)
Gross profit		6,641	83,399
Research and development expenses		(182,154)	(690,444)
Sales and marketing expenses		(350,227)	(299,804)
General and administration expenses		(718,945)	(336,023)
Depreciation expenses		(8,568)	(6,976)
Share-based payment expenses	7	-	(113,253)
Loss before finance expenses		(1,253,253)	(1,363,101)
Finance expenses		(84,520)	(118,410)
Loss before income tax expenses		(1,337,773)	(1,481,511)
Income tax expense		-	-
Loss for the period		(1,337,773)	(1,481,511)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences, net of tax		2,812	(60,834)
Other comprehensive income/(loss) for the period		2,812	(60,834)
Total comprehensive loss for the period		(1,334,961)	(1,542,345)
Loss attributable to:			
Owners of ParaZero Limited		(1,337,773)	(1,481,511)
Total comprehensive loss attributable to:			
Owners of ParaZero Limited		(1,334,961)	(1,542,345)
Loss per share:			
Basic and diluted (cents per share)	9	(1.34)	(1.69)

Condensed notes to the consolidated financial statements are included on pages 12 to 19.

Consolidated statement of financial position as at 30 June 2019

	Note	Consolidated	
		30 Jun 2019 US\$	31 Dec 2018 US\$
Current assets			
Cash and cash equivalents		483,459	584,782
Trade receivables		147,632	35,433
Prepayments		44,829	232,877
Inventory		936,240	857,631
Total current assets		1,612,160	1,710,723
Non-current assets			
Property, plant and equipment		86,916	94,114
Total non-current assets		86,916	94,114
Total assets		1,699,076	1,804,837
Current liabilities			
Trade and other payables		535,005	774,578
Credit and current maturities of long-term loans from banks		26,187	55,738
Other financial liability		-	100,417
Total current liabilities		561,192	930,733
Non-current liabilities			
Long term loans from bank		-	-
Other financial liability		337,556	375,715
Total non-current liabilities		337,556	375,715
Total liabilities		898,748	1,306,448
Net assets		800,328	498,389
Equity			
Issued capital	5	10,264,826	8,627,926
Reserves	6	1,615,528	1,612,716
Accumulated losses		(11,080,026)	(9,742,253)
Total equity		800,328	498,389

Condensed notes to the consolidated financial statements are included on pages 12 to 19.

Consolidated statement of changes in equity for the half-year ended 30 June 2019

<i>Consolidated</i>	Issued capital US\$	Share-based payment reserve US\$	Predecessor Accounting reserve US\$	Foreign exchange reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2018	1,196,187	341,000	-	-	(5,203,189)	(3,666,002)
Loss for the period	-	-	-	-	(1,481,511)	(1,481,511)
Other comprehensive income, net of income tax	-	-	-	(60,834)	-	(60,834)
Total comprehensive loss for the period	-	-	-	(60,834)	(1,481,511)	(1,542,345)
Shares issued under the IPO	3,799,392	-	-	-	-	3,799,392
Shares issued in settlement of convertible notes	4,319,573	-	-	-	-	4,319,573
Transactions under common control	-	-	(188,690)	-	-	(188,690)
Performance options granted (share-based payments)	-	113,253	-	-	-	113,253
Options granted to broker (share-based payments)	(279,027)	279,027	-	-	-	-
Other share issue costs	(408,199)	-	-	-	-	(408,199)
Balance at 30 June 2018	8,627,926	733,280	(188,690)	(60,834)	(6,684,700)	2,426,982
Balance at 1 January 2019	8,627,926	1,988,085	(188,690)	(186,679)	(9,742,253)	498,389
Loss for the period	-	-	-	-	(1,337,773)	(1,337,773)
Other comprehensive income, net of income tax	-	-	-	2,812	-	2,812
Total comprehensive income/(loss) for the period	-	-	-	2,812	(1,337,773)	(1,334,961)
Issue of shares (<i>refer to note 5</i>)	1,699,359	-	-	-	-	1,699,359
Share based payments	-	-	-	-	-	-
Share issue costs	(62,459)	-	-	-	-	(62,459)
Balance at 30 June 2019	10,264,826	1,988,085	(188,690)	(183,867)	(11,080,026)	800,328

Condensed notes to the consolidated financial statements are included on pages 12 to 19.

Consolidated statement of cash flows for the half-year ended 30 June 2019

	Note	Consolidated	
		Half-year ended	
		30 Jun 2019 US\$	30 Jun 2018 US\$
Cash flows from operating activities			
Receipts from customers		563,415	232,960
Payments to suppliers and employees		(2,372,206)	(1,537,574)
Interest received		363	-
Net cash (used in) operating activities		(1,808,428)	(1,304,614)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,369)	(4,107)
Cash from acquisition of subsidiary		-	15,441
Net cash (used in)/provided by investing activities		(1,369)	11,334
Cash flows from financing activities			
Proceeds from equity instruments of the Company	5	1,699,359	3,799,392
Repayment of borrowings		(29,551)	(33,013)
Proceeds from borrowings		-	1,263,830
Change in bank overdraft		-	60,435
Receipts from Israel Innovation Authority		98,313	101,189
Share issue costs		(62,459)	(408,199)
Net cash provided by financing activities		1,705,662	4,783,634
Net (decrease)/increase in cash and cash equivalents		(104,135)	3,490,354
Cash and cash equivalents at the beginning of the period		584,782	53,983
Impact of movement in foreign exchange rates		2,812	(60,834)
Cash and cash equivalents at the end of the period		483,459	3,483,503

Condensed notes to the consolidated financial statements are included on pages 12 to 19.

Condensed notes to the consolidated financial statements for the half-year ended 30 June 2019

1. General information

ParaZero Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's registered office and principal place of business is disclosed in the corporate directory.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

This half-year financial report was authorised for issue by the directors on 27 August 2019.

2. Application of new and revised Australian Accounting Standards

2.1 Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces *AASB 117 Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

As a result of the adoption of AASB 16 Leases, management has assessed their worldwide lease commitments and determined that this accounting standard does not have an impact on the statement of financial position or statement of comprehensive income due to the short-term nature of all leases.

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
<i>AASB 17 Insurance Contracts</i>	1 January 2021
<i>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
<i>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020

3. Significant accounting policies

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this half-year report be read in conjunction with any public announcements made by ParaZero Limited up to the date of this report in accordance with the continuous disclosure requirements under the ASX Listing Rules.

Basis of measurement

The half-year report has been prepared on an accruals basis and is based on historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The half-year report is presented in United States dollars (US\$) and all values are rounded to the nearest dollar unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the ParaZero Limited's last annual financial statements for the year ended 31 December 2018.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group has incurred a loss for the half-year ended 30 June 2019 of \$1,337,773 (30 June 2018: \$1,481,511) and net cash outflows from operating activities of \$1,808,428 (30 June 2018: \$1,304,614).

The Group is expected to be cash-flow negative in the foreseeable future as a result of continued expenditures, and the ability of the Group to continue as a going concern is dependent on securing additional funding through either equity, debt or receipts from product sales, or a combination of all, to continue its operational and technology development activities. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe the Group will continue as a going concern, after consideration of the following factors:

- the Group has recently been successful in raising equity and is planning to raise further funds;
- the level of expenditure can be managed;
- the directors of ParaZero have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services; and
- the drone for commercial and civilian application is moving into a new phase. The new regulatory landscape which is based on the new ASTM standard is expected to generate increased opportunities for the company. Based on this, the directors believe that the market will continue to grow over the coming years and that the Group will capitalise on this growth through increased sales.

The directors plan to continue the Group's operations on the basis outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve (12) months from the date of this report.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements or raise additional capital through equity raisings and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

Revenue

The Group manufactures and sells safety systems for drones. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been trucked to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4. Critical accounting judgements and estimates

In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates and judgements

Fair value of long-term liabilities

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

5. Issued capital

(a) Share capital

	30 Jun 2019 US\$	31 Dec 2018 US\$
117,021,672 (31 Dec 2018: 87,830,391) fully paid ordinary shares	10,264,826	8,627,926

(b) Movement in ordinary capital

	No. of shares	Total* (US\$)
Opening balance as at 1 January 2019	87,830,391	8,627,926
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
Share issue costs	-	(62,459)
Closing balance as at 30 June 2019	117,021,672	10,264,826

* Due to rounding, the total figures may not precisely reflect absolute figures obtained on multiplying the number of shares issued by the share issue 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\$0.07193) 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 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.

6. Reserves

	30 Jun 2019 US\$	31 Dec 2018 US\$
Share-based payment reserve (i)	1,988,085	1,988,085
Foreign currency translation reserve (ii)	(183,867)	(186,679)
Predecessor accounting reserve (iii)	(188,690)	(188,690)
	1,615,528	1,612,716

(i) Share-based payment reserve

Movements in share-based payment reserve

	30 June 2019	
	No.	US\$
Opening balance at 1 January 2019	67,419,609	1,988,085
Exercise of Replacement Options (ii)	(149,685)	-
Lapse of Replacement Options (ii)	(61,726)	-
Issue of Placement Options (iii)	1,909,024	-
Cancellation of expired Performance Options (iv)	(15,773,189)	-
Closing balance at 30 June 2019	53,344,033	1,988,085

(i) Replacement options were issued for no consideration to replace the options held by employees of ParaZero Ltd (Israel) prior to the Acquisition. The options are exercisable at A\$0.0027 expiring on or before 13 June 2023.

(ii) Replacement options lapsed due to the employee leaving the employment of ParaZero Limited.

(iii) Issue of free attaching unlisted options pursuant to a Placement. 955,480 unlisted options are exercisable at A\$0.1125 expiring on or before 17 April 2024 and 953,544 unlisted options are exercisable at A\$0.1125 expiring on or before 24 June 2024.

(iv) 2,247,971 Class A, 6,962,609 Class B and 6,562,609 Class C Performance Options which were either issued to employees who are no longer employed by ParaZero Limited or were to be allocated to new employees who have not taken up their positions, were cancelled with an effective date of 30 June 2019.

(ii) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

(iii) Predecessor accounting reserve

The predecessor accounting reserve arises from the capital reorganisation and records the net liabilities of ParaZero Ltd (Israel) as at the acquisition date of 13 June 2018.

7. Share-based payments

There were no share-based payment arrangements entered into by the Group during the half-year ended 30 June 2019.

8. Dividends

The Company did not pay or propose any dividends in the half-year to 30 June 2019.

9. Loss per share

	30 Jun 2019 US cents per share	30 Jun 2018 US cents per share
Basic and diluted loss per share (US cents per share)	(1.34)	(1.69)

9.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	30 Jun 2019 US\$	30 Jun 2018 US\$
Loss for the year attributable to owners of the Company	(1,337,773)	(1,481,511)

	30 Jun 2019 No.	30 Jun 2018* No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	99,726,559	87,830,391

* The weighted average number of shares outstanding for the half-year ended 30 June 2018 is based on the weighted average number of shares of ParaZero Limited outstanding in the period following the Acquisition.

10. Commitments

There has been no significant change in commitments since the last annual report. Please refer to the 31 December 2018 annual financial report.

11. Contingent assets and liabilities

The directors are not aware of any contingent liabilities or assets as at 30 June 2019 or subsequent to that period.

12. Events occurring after the reporting period

On 1 July 2019, the Company announced the cancellation of 2,247,971 Class A Performance Options, 6,962,609 Class B Performance Options and 6,562,609 Class C Performance Options.

On 15 July 2019, the Company announced that its ASTM compliant SafeAir Systems for the DJI Phantom 4 Series and DJI Mavic 2 Series comply with the latest Transport Canada regulations for operations over people. This allows licenced operators using the SafeAir Mavic + ASTM Professional Kit and the SafeAir Phantom + ASTM Professional Kit to operate over people, effective immediately.

On 17 July 2019, the Company announced that it has engaged the services of FMI Capital Advisory Inc. as its Canadian financial consultant in connection with a transaction or transactions whereby the Company is considering seeking a dual listing of its shares on a Canadian stock exchange.

On 2 August 2019, the Company issued 33,756 fully paid ordinary shares as a result of the exercise of unlisted options at A\$0.0027.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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