

**DIVERSE SECURITY NEEDS LIMITED
(TO BE RENAMED PARAZERO LIMITED)
ACN 618 678 701**

PROSPECTUS

For an offer of 25,000,000 Shares at an issue price of \$0.20 per Share to raise \$5,000,000 (before costs).

The Offer is conditional upon the completion of the Acquisition. Refer to Section 11.1 for details on the terms of the Acquisition.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

Joint Lead Managers



Merchant
CORPORATE ADVISORY

(AFS Rep No. 001252806)



ALTO
CAPITAL

(AFSL 279099)

This is a Replacement Prospectus dated 30 April 2018. It replaces a prospectus dated 29 March 2018 relating to the Shares of Diverse Security Needs Limited (ACN 618 678 701).

TABLE OF CONTENTS

CORPORATE DIRECTORY	1
1. IMPORTANT NOTICE	2
2. LETTER FROM THE BOARD	6
3. INDICATIVE TIMETABLE	7
4. INVESTMENT OVERVIEW	8
5. DETAILS OF THE OFFER	19
6. COMPANY AND PROJECT OVERVIEW	24
7. RISK FACTORS	47
8. PATENT REPORT	58
9. INVESTIGATING ACCOUNTANT'S REPORT	65
10. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE	89
11. MATERIAL CONTRACTS	92
12. ADDITIONAL INFORMATION	95
13. DIRECTORS' AUTHORISATION	107
14. GLOSSARY	108

CORPORATE DIRECTORY

Directors

Anton Uvarov
Non-Executive Director

Charis Law
Non-Executive Director

Howard Digby (retiring)
Non-Executive Director

Proposed Directors

B.Gen. (ret.) Eden Attias
Executive Chair/CEO

Dan Arazi
Non-Executive Director

Company Secretaries

Stephen Buckley
Peter Webse

Patent Attorney

FB Rice
Level 23
44 Market Street
Sydney NSW 2000

Australian Legal Counsel

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

Registered Office

Level 2
46-50 Kings Park Road
West Perth WA 6005

Telephone: +61 8 6377 8043
Email: shareholders@parazero.com
Website: www.parazero.com

Auditor

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

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Lead Managers

Merchant Corporate Advisory Pty Ltd
Unit 36, 38 Manchester Lane
Melbourne VIC 3000

ACNS Capital Markets Pty Ltd
trading as Alto Capital
Ground Level
16 Ord Street
West Perth WA 6005

Share Registry*

Automic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000

Telephone (within Australia): 1300 288 664
Telephone (outside Australia): +61 2 9698 5414
Email: hello@automic.com.au

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

1. IMPORTANT NOTICE

This Prospectus is dated 30 April 2018 and was lodged with the ASIC on that date. This Replacement Prospectus replaces the prospectus lodged by the Company on 29 March 2018 relating to the securities of the Company (**Original Prospectus**). The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Replacement Prospectus

Since the lodgement of the Original Prospectus, the Company has agreed certain changes to the structure of the Offer, the existing capital structure and the terms of the Acquisition. The difference between this Replacement Prospectus and the Original Prospectus are as follows:

- (a) amending the terms of the Offer to reduce the amount being raised to \$5 million;
- (b) the appointment of joint lead managers;
- (c) amending the terms of the Acquisition to reduce the number of Shares and Performance Options being issued as consideration for the Acquisition;
- (d) changing the capital structure of the Company following the consolidation of the Company's existing Shares on issue and reducing some of the fees payable to parties involved in the Company and the Offer;
- (e) clarifying some aspects of the Company's business model to provide clarity on the nature of the Company's assets at listing;
- (f) including new information around key employees;
- (g) replacing the Investigating Accountants Report and the Patent Report; and
- (h) other general edits.

No Applications received

The Company confirms that since the lodgement of the Original Prospectus no Applications have been received or processed by the Company that would require the Company to consider allowing those applicants to withdraw their Application under Section 724(2)(b) of the Corporations Act.

The Company has given to ASIC an undertaking that it will not accept or process any applications received after the end of the Exposure Period on 12 April 2018 and before the lodgement of this Replacement Prospectus and will only accept and process Applications attached to this Replacement Prospectus.

Only Applications received that were attached to or accompanying this Replacement Prospectus will be accepted by the Company.

Applicants outside Australia

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States of America.

Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.parazero.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Section C of Section 5 as well as Section 7 for details relating to some of the key risk factors that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other

professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer please call the Company Secretary.

Definitions

Terms used in this Prospectus are defined in the Glossary in Section 14.

2. LETTER FROM THE BOARD

Dear Investor,

I have great pleasure in presenting this Prospectus and offering you the opportunity to become a shareholder in Diverse Security Needs Limited, which is to be renamed Parazero Limited (**Company**).

The Company was incorporated in April 2017 primarily for the purpose of investigating opportunities to invest in technology companies. Subsequently a decision was made to invest in Parazero Ltd, a company incorporated in Israel (**Parazero Israel**), and the developer and the owner of the Technology (defined in this Prospectus). The Company will now acquire 100% of the shares of Parazero Israel and proceed to list on the ASX. The Company is now seeking to raise \$5,000,000 through an issue of 25,000,000 Shares at an issue price of \$0.20 per Share.

ParaZero Israel was co-founded in 2013 by Amir Tsaliah (now Chief Technology Officer) and Ran Krauss (ParaZero's CEO until 2015) to develop safety systems for small Unmanned Aircraft Systems (**sUAS**).

With the increase in the use of drones and, in particular their proposed use for commercial purposes, including the flying of drones and sUAS vehicles over populated areas, safety has become an important factor, in particular for regulators.

Parazero Israel has already been successful in selling its safety systems around the world, including into markets in the US, Israel, Japan, France, New Zealand, China and the Netherlands. Parazero Israel, due to the development of its safety systems, has been at the forefront of discussions with regulators around the world in relation to the standards required for safety in commercial sUAS vehicles, and is therefore well placed to grow its markets and sales with appropriate funding.

A significant part of the funds raised will be used to acquire and deploy sales and marketing resources in order to drive revenue growth for existing products. Funds raised will also be used for research and development to enhance the current product lines, to commercialise new technologies and to remain competitive into the future.

The Offer provides an opportunity for you to share in the exciting future of the Company. This Prospectus contains detailed information about the Offer, the Company, Parazero Israel and the products and markets. It also includes a description of the key risks associated with an investment in the Company, covering those risks typically found in most early stage technology companies, including the ability to grow its user base and generate continuing revenue in response to changing technologies, customer demands and competitive pressures. I encourage you to read the Key Risks in Section 4(C) and the Risk Factors in Section 7. Before making your decision to invest, please carefully read this Prospectus and seek professional advice if required.

The Board looks forward to welcoming you as a Shareholder.

Yours sincerely



Anton Uvarov
Director of Diverse Security Needs Limited

3. **INDICATIVE TIMETABLE**

Lodgement of Original Prospectus with the ASIC	29 March 2018
Exposure Period begins	29 March 2018
Lodgement of Prospectus	30 April 2018
Opening Date of Offer and Cleansing Offer	30 April 2018
Closing Date of Offer	18 May 2018
Completion of Acquisition	21 May 2018
Issue of Securities under the Offer	22 May 2018
Despatch of holding statements	23 May 2018
Close of Cleansing Offer	24 May 2018
Expected date for quotation on ASX	28 May 2018

- 1. The above dates are indicative only and may change without notice. The Exposure Period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act. The Company reserves the right to extend the Closing Date or close the Offer or Cleansing Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants.*
- 2. The above stated date for settlement of the Acquisition is only a good faith estimate by the Directors and may be extended.*

4. INVESTMENT OVERVIEW

This section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Diverse Security Needs Limited, to be renamed Parazero Limited (ACN 618 678 701) (Company).	
Who is the Company?	<p>The Company was incorporated in April 2017 in Western Australia primarily for the purpose of investigating opportunities in technology companies. Subsequently, a decision was made to invest in Parazero Ltd, a company incorporated in Israel (Parazero Israel) and the owner of the Technology (defined below) (Acquisition).</p> <p>Parazero Israel has developed and patented a safety system for small unmanned aircraft systems (sUAS), such as drones (Technology) and has commenced selling its Technology into various markets around the world including the US, Israel, Japan, France, New Zealand, China and the Netherlands. To date approximately 1,400 units have been sold.</p>	Section 6.1
What is the Technology?	<p>Parazero's SafeAir™ system independently monitors the flight operation of the drone with the SmartAir™ control system, which in case of drone failure in flight, triggers a patented ballistic parachute to provide a controlled descent rate and warns bystanders through an alarm system. The SmartAir™ system records flight data for statistical analysis and black box reporting.</p> <p>This Technology is designed to meet international aviation reliability standards, while addressing growing market needs, bringing smart technology and providing a complete safety solution for aerial and ground challenges.</p> <p>Parazero has supplied over 1,000 systems to date ranging from applications from 2kg to 350kg drones for global customers across the US, Japan, France, Israel, New Zealand and China.</p> <p>The primary advantages of the Technology include:</p> <ul style="list-style-type: none"> • Low altitude deployment - failures can occur in take-off/landing - the more rapid the deployment, the lower the 	Section 6.3

Item	Summary	Further information
	<p>altitude that the parachute can be effective;</p> <ul style="list-style-type: none"> • Parazero enables cross-platform drone data collection - data collection plays a crucial role in the drone ecosystem. Parazero's cross platform system, coupled with the UTM provides critical real-time information for the user, and for other drones operating nearby. It also provides data for flight and usage analytics and black box information, now a requirement in some European countries. • Critical Angle Effectiveness - the ability to deploy when the UAV goes beyond a critical roll/tilt angle is vital at low altitudes; and • Broad application use - Application to high-end 'prosumer' drones right through to unmanned passenger aerial vehicles. <p>The Technology is a combined hardware, firmware and software solution developed over a number of years with the combined engineering and technological expertise of the Parazero Israel team and is difficult to imitate. It has already secured patents for its technology.</p> <p>The Technology is currently used for commercial and recreational drones by a variety of drone manufacturers and Parazero Israel has contracts in place with these manufacturers ranging from supply contracts to simple price arrangements subject to receipt of purchase orders.</p>	
B. Business Model		
How will the Company generate income?	<p>The Company's business model revolves around completing the Acquisition and continuing the commercialisation of the Technology. The terms of the Acquisition are summarised in Section 11.1 of this Prospectus.</p> <p>Parazero Israel has commenced commercialising the Technology and to date has modest, revenue streams, generating revenues of approximately US\$540,000 for the financial year ended 31 December 2017 (refer to the financial information in Section 9). Fundamentally, Parazero Israel derives revenues from the sale of its hardware, and accompanying software and ongoing aftermarket support and maintenance fees.</p>	Section 6.6 and 6.9

Item	Summary	Further information
	<p>The Company's business model is based on the expansion, through the funds raised under the Offer, of the use of the Technology both within its existing markets, and expanding into new markets. In addition, the Company will seek to expand on the usefulness of the Technology in new verticals, as well as building new distribution channels.</p>	
<p>What are the key business strategies of the Company?</p>	<p>Parazero Israel has already commenced limited marketing and promotion of its products in various markets.</p> <p>The Company strategy post listing will be to continue and enhance that marketing and promotion by increasing the markets in which the Company promotes its products and further developing the revenue streams as they are set out in this Prospectus.</p> <p>In addition, the Company will seek to continue the research and development of its products to enhance their existing capabilities as the market for sUAS vehicles continues to grow, while liaising, where possible, with regulators to be an active voice in regulation in the markets in which it seeks to operate.</p>	<p>Section 6.9</p>
<p>What are the key dependencies of the Company's business model?</p>	<p>The Company's existing business model and achievement of financial success relies heavily on the Company being able to increase the number of units it sells to drone manufacturers and drone users, as well as being able to achieve economies of scale in the manufacture of its products to generate positive cashflow from its manufacturing activities. This is most likely to be achieved through the ongoing growth in use and utility of sUAS vehicles around the world.</p> <p>In addition, the business model contemplates being able to monetise the data collected from the use of its products.</p>	<p>Section 6.6 and 6.9</p>
<p>C. Key Advantages and Key Risks</p>		
<p>What are the key advantages of an investment in the Company?</p>	<ul style="list-style-type: none"> <p>Parazero Israel is developing revolutionary products for a new industry with high growth prospects</p> <p>Drones are becoming an integral part of our world. Drones are creating huge new markets as they transform the fabric of the economy, but we are in still in the early stages of the industry development and it can be challenging for investors to decide where to invest in the ecosystem. Parazero bridges two crucial</p> 	

Item	Summary	Further information
	<p>steps in the drone industry.</p> <ul style="list-style-type: none"> <li data-bbox="566 293 1204 741"> <p>• Parazero Israel is a market leader in providing drone safety solutions</p> <p>Full commercial operation of drones over populated areas will never materialize without a regulator-approved safety solution. Parazero is a leader in this market with smart sensing, best in class low altitude deployment and drone management capabilities. It can be fitted across almost all drones available today and enable them to have advanced safety and data retention capabilities.</p> <li data-bbox="566 752 1204 1099"> <p>• Parazero Israel possesses intellectual property developed over years of research and development</p> <p>Parazero Israel has already secured patents for its technology. In addition, the understanding of the processes and systems that enable the Technology to work have been developed over a number of years and are a key asset of Parazero Israel.</p> <li data-bbox="566 1111 1204 1592"> <p>• Parazero has historical revenues</p> <p>Over the past three years, Parazero Israel has recorded combined audited revenues of over US\$1.1 million (refer to Section 9), recording revenues of approximately US\$540,000 for the financial year ended 31 December 2017. Although Parazero Israel has continually operated at a loss during each of those years, the Company considers that these revenues are a strong point from which to look to grow the Company after listing with further resources and capital.</p> <li data-bbox="566 1603 1204 2051"> <p>• Parazero is well positioned to monetise its data</p> <p>Data will be a crucial guiding tool for operating drones. ParaZero's safety system has a physical hardware presence on each drone it is deployed on and can build one of the industry's most elaborate data lakes in relation to incidents, their causes and other operational data. Insurance companies are the first customers interested in purchasing this data for usage-based policies.</p> 	

Item	Summary	Further information
	<ul style="list-style-type: none"> Parazero has highly credible and experienced management team The company was founded by a group of avionic professionals, together with veteran drone operators, to solve these industry's challenges. 	
<p>What are the key risks of an investment in the Company?</p>	<p>Risks associated with an investment in the Company under this Prospectus are detailed in Section 7.</p> <p>In addition to the risks detailed in Section 7, key risk factors include:</p> <ul style="list-style-type: none"> Conditional Offer The Offer is conditional upon the Company completing the acquisition of Parazero Israel. In the event that the Acquisition is not completed, the Offer will not proceed and Applicants will be refunded their Applications in accordance with the process set out in this Prospectus. Limited operating history The Company is essentially a start-up company with limited operating history and to date the Company and Parazero Israel have limited historical financial performance. The Company was incorporated in April 2017 for the purposes of seeking opportunities to invest in technology companies and seeking a listing on ASX. Parazero Israel was incorporated in 2013. Parazero Israel is now in the commercialisation phase of the business cycle and as such carries the normal risks of a start-up business. Given the limited operating history of the Company and Parazero Israel, and the limited history of the products, no assurance can be given that the Company will achieve commercial viability through the implementation of its business plan. Until the Company is able to realise value from its products, it is likely to incur ongoing operating losses. Accordingly, the Company is not in a position to give any guidance around likely revenue or profitability. Intellectual Property risk A substantial part of the Company's commercial success will depend on its ability to maintain, establish, and protect Parazero's intellectual property, 	<p>Section 7</p>

Item	Summary	Further information
	<p>maintain trade secret protection and operate without infringing the proprietary rights of third parties. Parazero currently has two granted patents (Israel, China) and four patent applications (Europe, United States, Honk Kong, Israel). There is a risk that each pending application will not be granted.</p> <ul style="list-style-type: none"> <p>• Key person risk</p> <p>Parazero Israel was founded by by Amir Tsaliach (ParaZero's now Chief Technology Officer) and Ran Krauss (ParaZero's CEO until 2015) and has been built based on their knowledge and experience. In 2015, Eden Attias returned from his posting as Defence Attaché in Canada and began serving as ParaZero's CEO. Both Mr Eden Attias and Mr Amir Tsaliach have new employment agreements in place pursuant to which they have been employed by Parazero Israel, which will be a wholly owned subsidiary of the Company, to continue to build and grow the business of the Company.</p> <p>Both Mr Tsaliach and Mr Attias are key people in the operation of the business of the Company given their experience and knowledge in the development of the Company's products and markets.</p> <p>• Uncertainty of future profitability</p> <p>The success of the Company's operations relies on the ability to attract more commercial users of the Technology and its products. An inability to attract new clients and users will affect the Company's earning ability.</p> <p>• Research and development</p> <p>The Company's Technology and products (summarised in this Prospectus) and its potential products are subject to continued research and development. There is no guarantee that the Company will be able to achieve its desired outcomes from that research and development either to enhance its existing products and adapt them to new and emerging technologies or to complete the development of the new products necessary for the introduction into new markets contemplated by the</p> 	

Item	Summary	Further information
	<p>Company.</p> <ul style="list-style-type: none"> <li data-bbox="566 293 1204 674"> <p>• Technology risk</p> <p>Technology markets, by their very nature, are a continually evolving marketplace. To succeed, the Company will need to research, develop, design, manufacture, assemble and bring to market new enhancements to its existing products as well as new products that are suitable for existing markets and new markets that might not yet exist.</p> <li data-bbox="566 685 1204 1200"> <p>• Regulatory Environment</p> <p>As with all technology companies, Parazero Israel is heavily reliant on the regulatory environment that applies to its products and associated technologies. Changes in the regulatory environment could lead to a loss of revenues for the Company. Further, it could hinder the Company's ability to retain existing customers and attract new customers, particularly if its products were perceived to be less compliant than its competitors, which would have a material adverse impact on the Company's prospects.</p> <li data-bbox="566 1211 1204 1933"> <p>• Competition</p> <p>The markets in which the Company will operate are particularly competitive, in particular due to the lucrative nature of the contracts and contacts available within the various verticals in which the Company will operate, notably the commercial and industrial drone applications. While the Company will try to manage this risk with a targeted marketing strategy, competition may arise from a number of sources including companies with greater capital resources. The Company's performance could be adversely affected if existing or new competitors reduce the Company's market share through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.</p> 	
D. Directors and Key Management Personnel		
Who are the Directors?	Prior to listing on the ASX, existing Director Howard Digby will resign and two Proposed Directors will be appointed, such that the	Section 6.13

Item	Summary	Further information
	<p>Board of the Company on listing on ASX will be comprised of:</p> <p>(a) B.Gen. (ret.) Eden Attias – <i>CEO and Executive Chair</i>;</p> <p>(b) Anton Uvarov – <i>Non-Executive Director</i>;</p> <p>(c) Charis Law – <i>Non-Executive Director</i>; and</p> <p>(d) Dan Arazi – <i>Non-Executive Director</i>.</p> <p>The profiles of each of those Directors are set out in Section 6.13.</p>	
Other Key Management Personnel	<p>In addition to the Board, the key management personnel comprises the co-founder of Parazero Israel, Mr Amir Tsaliach, who now serves the Parazero's Chief Technology Officer. Mr Tsaliach's profile is set out in Section 6.13.</p>	Section 6.13
What are the significant interests of Directors in the Company?	<p>Each Director's and Proposed Director's interest in the Company is set out at Section 6.15.</p>	Section 6.15
E. Financial Information		
How has the Company been performing?	<p>The audited historical financial information for the Parazero Israel is set out in Section 9.</p>	Section 9
What is the financial outlook for the Company?	<p>Although Parazero Israel has recorded modest revenues already, given the current status of the Company and the speculative nature of its business being acquired, the Directors do not consider it appropriate to forecast future earnings.</p> <p>Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.</p>	Section 6.9
F. Offer		
What is being offered?	<p>The Offer is an offer of 25,000,000 Shares at an issue price of \$0.20 per Share to raise \$5,000,000.</p> <p>The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the Official List of the ASX and to position the Company to seek to achieve the objectives stated at Section B above.</p>	Section 5

Item	Summary	Further information
	The Board believes that on completion of the Offer, the Company will have sufficient working capital to achieve its objectives.	
What is the Cleansing Offer?	The Cleansing Offer is intended to remain open following the closing of the Offer until all Shares under the Acquisition have been issued in order to ensure that all Shares issued under the Acquisition will be capable of being traded on ASX from the date of issue (subject to any escrow restrictions imposed on those Shares).	
Who is the lead manager to the Offer?	The Company has appointed Merchant Corporate Advisory Pty Ltd (AFS Rep No. 001252806) and ACNS Capital Markets Pty Ltd trading as Alto Capital (AFSL 279 099) as joint lead managers to the Offer. Both will receive those fees as set out in Section 11.3 of this Prospectus.	Sections 5.13 and 11.3
What will the Company's capital structure look like after completion of the Offer?	Refer to Section 6.17 for a pro forma capital structure following completion of the Offer.	Section 6.17
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in Section 12.2.	Section 12.2
Will any securities be subject to escrow?	<p>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p>	Section 6.18
Will the Shares be quoted?	Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 5.9
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 3 of this Prospectus.	Section 3

Item	Summary	Further information
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$500 worth of Shares (2,500 Shares).	Section 5.7
Are there any conditions to the Offer?	Yes, the Offer is conditional upon the Company completing the acquisition of Parazero Limited. No Shares will be issued until the Company has completed the Acquisition	Section 5.3 and 11.1
G. Use of funds		
How will the proceeds of the Offer be used?	The Offer proceeds and the Company's existing cash reserves will be allocated and apportioned as set out in Section 5.6.	Section 5.6
Will the Company be adequately funded after completion of the Offer?	The Directors are satisfied that on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.	Section 5.6
H. Additional information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.	
What are the tax implications of investing in securities?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	
What are the corporate governance principles and policies of the Company?	<p>To the extent applicable, in light of the Company's size and nature, the Company has adopted <i>The Corporate Governance Principles and Recommendations (3rd Edition)</i> as published by ASX Corporate Governance Council (Recommendations).</p> <p>The Company's main corporate governance policies and practices and the Company's compliance and departures from the Recommendations as at the date of this Prospectus are outlined in Section 10.2.</p> <p>The Company's full Corporate Governance</p>	

Item	Summary	Further information
	Plan is available from the Company's website (www.parazero.com).	
Where can I find more information?	<ul style="list-style-type: none"> <li data-bbox="571 340 1204 443">(a) by speaking to your sharebroker, solicitor, accountant or other independent professional adviser; or <li data-bbox="571 452 1204 517">(b) by contacting the Company Secretary. 	

5. DETAILS OF THE OFFER

5.1 The Offers

Under the Offer, the Company invites applications for 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000. The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

Under the Cleansing Offer, the Company offers 1,000 Shares at an issue price of \$0.20 per Share to raise \$200.

The Cleansing Offer is included primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company where those issues occur after the Offer has closed. The Cleansing Offer will remain open after the close of the Offer.

5.2 Oversubscriptions

The Company will not accept oversubscriptions.

5.3 Minimum subscription

The minimum amount which must be raised under this Prospectus is \$5,000,000 (**Minimum Subscription**). If the Minimum Subscription has not been raised within 4 months after the date of the Original Prospectus, the Company will not issue any Securities and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.4 Not underwritten

The Offer is not underwritten.

5.5 Lead Managers

The Company has appointed Merchant Corporate Advisory Pty Ltd (AFS Rep No. 001252806) and ACNS Capital Markets Pty Ltd trading as Alto Capital (AFSL 279 099) as joint lead managers to the Offer. Details of the fees they each will receive for these services and the use of those fees are set out in Section 11.3 of this Prospectus.

5.6 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the next two years following admission of the Company to the Official List of ASX as follows:

	Subscription A(\$) (\$5,000,000)	Percentage of Funds (%)
Existing cash reserves ¹	\$80,000	
Funds raised from the Offer	\$5,000,000	
TOTAL	5,080,000	100%
Research and development ³	1,706,964	33.3%
Sales and marketing ⁴	1,437,466	28.3%

	Subscription A(\$ (\$5,000,000)	Percentage of Funds (%)
Unallocated working capital and others ⁵	1,339,670	26.4%
Expenses of the Offer ²	595,900	11.7%
TOTAL	5,080,000	100.0%

Notes:

1. This amount includes a payment of \$100,000 to Charis Law pursuant to the terms of a Consulting Agreement previously entered into between Ms Law and Parazero Israel in June 2017 (refer to summary in Section 6.15.5 for further details). Ms Law was not a director of the Company at the time, and was not contemplated to be a Director of the Company at the time of entering into that agreement. Other expenses are set out in Section 12.10.
2. Refer to Section 12.10 of this Prospectus for further details.
3. Funds used for research and development will be allocated toward the continued investigation of enhancing the products and offerings by the Company, including the ongoing development of software associated with the products, data analysis programs as well as ongoing improvements and enhancements in the products themselves.
4. As set out in this Prospectus, the Company intends to use some of the funds raised under the Offer to increase the Company's marketing and sales reach to promote the Company's products into its existing and new markets as set out in Section 6 of this Prospectus.
5. Working capital and other costs include general costs associated with the management and operation of the Company including administration expenses, directors' fees, compliance costs and other associated costs.

It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from its ongoing business activities.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors consider that following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. It should however be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 7.

5.7 Applications

If you wish to apply for Shares under the Offer, you must complete a paper-based application using the relevant Application Form attached to or accompanying this Prospectus or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus.

Applications for Shares under the Cleansing Offer should only be made if you are instructed to do so by the Company.

How to apply

Complete the hard copy of the Application Form accompanying the hard copy of this Prospectus and mail or hand deliver the completed Application Form with

cheque or bank draft to the addresses below so it is received before 5.00pm (WST) on the Closing Date.

By Post To:	Delivered To:
Diverse Security Needs Limited c/- Alto Capital PO Box 248 WEST PERTH WA 6872	Diverse Security Needs Limited c/- Alto Capital Ground Floor 16 Ord Street West Perth, Western Australia

By completing an Application Form each Applicant under the Offer will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share.

The Company reserves the right to close the Offers early.

If you require assistance in completing an Application Form, please contact the Share Registry.

5.8 Allocation Policy

The Company retains an absolute discretion to allocate Securities under the Offer and reserves the right, in its absolute discretion, to allot to an Applicant a lesser number of Securities than the number for which the Applicant applies or to reject an Application Form. If the number of Securities allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No Applicant under the Offer has any assurance of being allocated all or any Securities applied for. The allocation of Securities by Directors will be influenced by the following factors:

- (a) the number of Securities applied for;
- (b) the overall level of demand for the Offer;
- (c) the desire for spread of investors, including institutional investors; and
- (d) the desire for an informed and active market for trading Securities following completion of the Offer.

The Company will not be liable to any person not allocated Securities or not allocated the full amount applied for.

5.9 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to the Prospectus will be made within 7 days after the date of the Original Prospectus. The application has now been lodged with ASX prior to the date of the Original Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of the Original Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.10 Issue

Subject to the Minimum Subscription to the Offer being reached, the completion of the Acquisition and ASX granting conditional approval for the Company to be admitted to the Official List, issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

5.11 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

5.13 Commissions payable

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

The Lead Managers will be responsible for paying all commissions that they and the Company agree with any other licensed securities dealers or Australian financial services licensees out of the fees paid by the Company to each of the joint lead managers under their respective mandates.

5.14 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offers.

5.15 Withdrawal of Offer

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) in accordance with applicable laws.

6. COMPANY AND PROJECT OVERVIEW

6.1 Company Background

The Company was incorporated in April 2017 for the purpose of investigating opportunities to invest in technology companies. Subsequently, in December 2017, the decision was made to invest in Parazero Israel, given its exciting technology and the market growth potential relating to its technology. The Company will now acquire 100% of Parazero Israel and proceed to list on the ASX.

ParaZero Israel was co-founded in 2013 by Amir Tsaliah and Ran Krauss to develop safety systems for sUAS (small unmanned aircraft systems), which typically include drones. In 2015, Eden Attias returned from his posting as Israeli Defence Attaché in Canada and began serving as Parazero Israel's CEO, where he continues in that role.

Parazero Israel was founded to accomplish the following vision: to enable the drone industry to realise its greatest potential. Parazero Israel was founded after the co-founders' previous company crashed its drone resulting in major financial loss and a serious injury near miss.

Parazero Israel's unique technology enables parachute deployment on drones in fractions of a second using an autonomous computer paired with a patented pyrotechnic parachute launcher.

Parazero Israel's patented technology has created a new benchmark in drone safety with commercial aviation level of reliability.

Importantly, Parazero Israel has been able to commence sales of its technology around the world, including in the United States, Israel, Japan, France, New Zealand, China and the Netherlands, and has enabled operators to gain exemptions and waivers from their respective civil aviation authorities.

6.2 Background on sUAS (drones)

A drone is an unmanned aerial vehicle either navigated manually with a remote control or autonomously operated by software. Drones have seen widespread use in the military, for surveillance and long-range attack (eg Predator, Global Hawk). These types of drones have also been occasionally used for weather monitoring and search and rescue operations.

Developments in the mobile industry have enabled manufacturers to shrink the size, weight and cost of batteries. This development was a significant step that allowed the drone industry to take-off for uses cases other than the military ones. Battery powered drones are easy to maintain and operate and don't require expensive infrastructure.

Electric drones have become an integral part of dozens of industries and for a wide array of commercial applications such as photography, agriculture, package delivery, first response, security, plant and infrastructure inspection and other such operations, as well as for recreational use.

6.2.1 Consumer vs commercial drones

The civilian drone industry can be divided to two main groups based on their purpose: consumer or commercial.

Consumer drones are quite affordable ranging from a few hundred dollars to a few thousand dollars and can be legally purchased over the internet or in retail stores. Importantly, in most jurisdictions, there is no requirement for any license to operate these drones and they are mostly used for fun and recreational hobbyist photography and have seen major widespread growth globally.

Commercial or enterprise drones are normally more expensive, heavier, and are designed to carry costly payloads such as high-end cameras or measurement instruments. These types of drones typically require pilot training and certification.

Examples of commercial drone use include:

- (a) Search and rescue – with the ability to cross tough terrain with ease, drones can be everywhere any time, providing law enforcement, fire fighters and medical teams with rapid response.
- (b) Security – many authorities use drones to protect people during various emergencies. For instance, they are able to help coordinate a variety of security operations and can preserve evidence alike.
- (c) Infrastructure inspections – many systems such as power lines, wind turbines, and pipelines can be checked by drones. Businesses can get accurate information faster, safer and dramatically minimise their costs and removes the exposure of the workforce labor to potential danger.
- (d) Surveillance – drones allow recording and monitoring from the sky, and therefore, they are suitable to monitor public events, protests, or any suspicious happening without being heard and seen.
- (e) Science & research– they are able to assist scientists in research works to observe different occurrences in nature or a particular environment from the sky. For example, drones are used to document the archaeological excavations, in nuclear accidents (measuring contamination), in glacier surveillance, to observe a volcanic eruption, etc.
- (f) Aerial photography & video – with a drone that is equipped with a high definition camera, high quality/definition photos can be taken that were previously only possible with helicopters.
- (g) Surveying & GIS (mapping) – using multi-spectral cameras and laser scanners, drones are able to create high-quality 3D maps. With these capabilities, drones are used for remote sensing, surveying & mapping, photogrammetry, precision agriculture, etc.
- (h) Deliveries – drones also serve in delivering of lightweight packages such as medication, small e-commerce purchases and much more.
- (i) Construction – the capability to provide valuable insights and management capabilities for contractors and architects, to check status of the building process.

In short, the uses and potential uses for drones are seeing a rapid increase in the number of drones being utilised around the world, with an increase in associated issues such as regulation, licensing and safety.

6.2.2 Drone market overview and trends

In its public report “Drones: Reporting for Work”¹, published in 2016, Goldman Sachs mounted the argument that drones are becoming “powerful business tools”. It stated that its own research predicted that between 2016-2020 there was a market opportunity of approximately \$100bn due to the growing demand from the commercial and civil government sectors. While any predictions for future growth along these lines is not guaranteed, the sentiment indicates a strong market for drone use that already exists and that should grow in the coming years as various companies have already announced investigations into utilising drones for delivery purposes.

The consumer and commercial drone industry is relatively young, but growing rapidly.

According to the United States Federal Aviation Administration's “FAA Aerospace Forecast 2017”² the graph below represents the “base case projection” of number of drones in use within the United States using the years from 2015 to 2021, broken down into hobbyist and commercial drones.

FAA U.S. drone fleet forecast



“Base case” projection

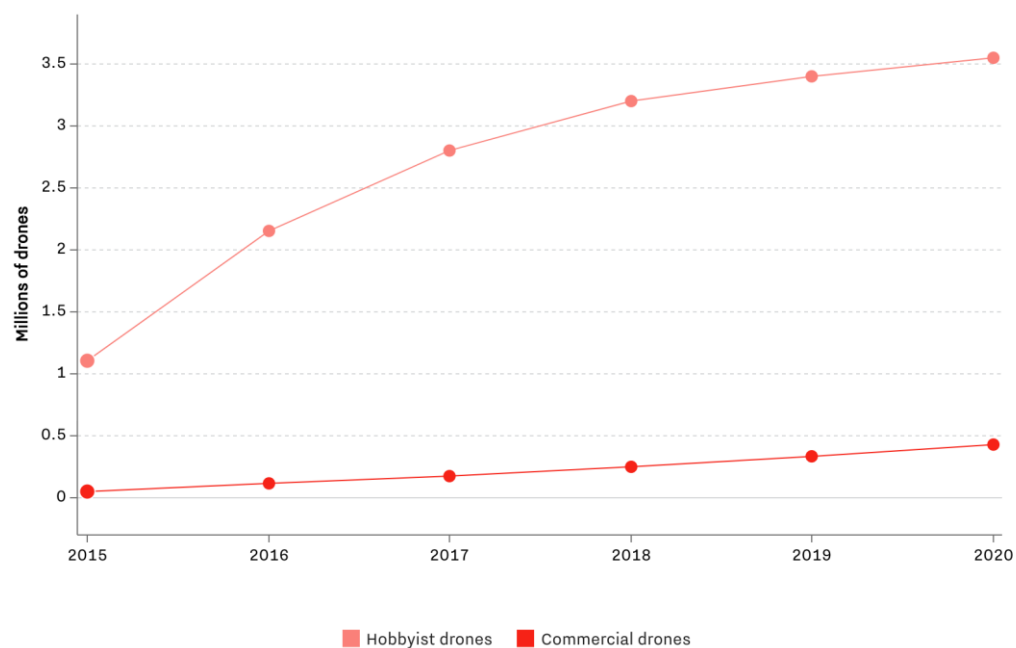


Figure: FAA U.S. drone fleet forecast

The Teal Group, a US based aerospace and defence market analysis firm, estimate that the United States market accounts for between 32%-34% of the global drone market by number of units sold.³

In Australia, although dwarfed by the size and scale of the US market, approximately 860 registered companies or individuals are certified for commercial operations (as at December 2017)⁴. Certified companies include

¹ <http://www.goldmansachs.com/our-thinking/technology-driving-innovation/drones/>

² https://www.faa.gov/data_research/aviation/aerospace_forecasts/media/FY2017-37_FAA_Aerospace_Forecast.pdf

³ Teal 2016 World Civil UAS Market Forecast

⁴ <https://www.casa.gov.au/aircraft/standard-page/drone-safety-review>

the major mining and oil & gas companies, TV companies and service providers such as Measure Australia, an offshoot from Measure in USA, offering nationwide drone services and Airobotics, the first company to receive fully autonomous flight certification for operations in Israel on the back of Parazero's SafeAir™ safety systems - Airobotics is operating from its Perth office supporting South32, BHP and Vale in their mine site surveillance management.

Drones are also now being used for beach and shark patrol, and have already been credited with saving life, and are now even used in the major stock musters in the large outback stations.

Australia's wide-open space and good weather supports advanced drone developments and the Queensland State Government has already acted to entice major development activity in Queensland in this area, including from Boeing for development and testing of its smart drones⁵.

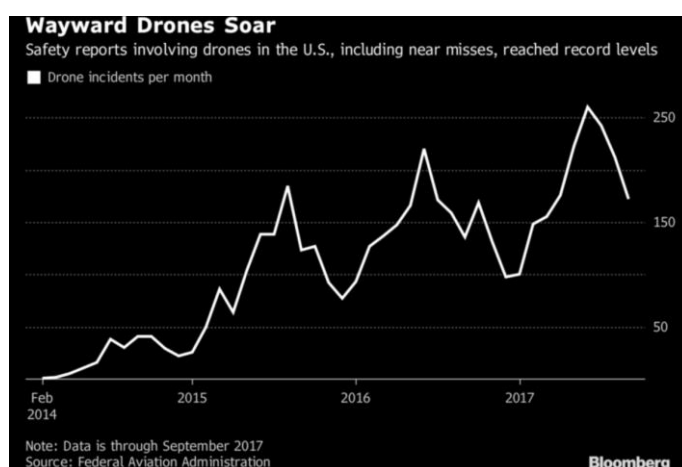
In summary, there is a large amount of data available that indicates that the usage of drones and unmanned aerial vehicles is most likely to increase in coming years, which provides a growing market for the Company's existing products and an opportunity to continue development of new products to meet the market demand.

6.2.3 Drone safety incidents

As the number of drones and usage of drones increases, the number of reported safety incidents involving civilian drones has also increased.

Through September 2017, the US Federal Aviation Administration received 1,688 reports of drones flying in restricted airspace or otherwise appearing to violate rules. That compares with 1,754 in 2016 and 1,210 in 2015. In 2014, the year the administration first began collecting data, there were only 236 reported incidents. Whilst incidents don't always end up as accidents, it is a good indicator of the potential accidents which could result in fatality, injury, or damage to property.

The number of reported incidents reached a new record of 260 per month in June 2017. Incidents have risen compared to the same month in the prior year all but once since the FAA first started keeping records in February 2014. There has been a total of 4,889 incidents reported in less than four years.



Safety reports involving drones in the United States, including near misses, reached record levels. Source: US FAA, September 2017

⁵ <https://www.sbs.com.au/news/boeing-smart-drones-to-be-developed-in-qld>

The table below shows the reporting on a number of drone related incidents from around the world since 2015:

Title	Link	Date
2015		
Grave wound by a drone in Guipúzcoa	https://airdroneview.com/2015/07/20/herida-de-gravedad-por-un-dron-en-guipuzcoa/	20 July 2015
Drone slams into seating area at U.S. Open; teacher arrested	http://edition.cnn.com/2015/09/04/us/us-open-tennis-drone-arrest/	5 September 2015
Small drone crashes near White House despite ban against flights in D.C.	https://www.usatoday.com/story/news/2015/10/09/drone-crash-white-house-ellipse-us-park-police-federal-aviation-administration/73641812/	9 October 2015
Drone crashes onto piste, misses champion skier by inches	http://edition.cnn.com/2015/12/23/sport/marcel-hirscher-drone-crash/index.html	23 December 2015
2016		
New Jersey man arrested after drone crashes into Empire State Building	http://www.aol.com/article/2016/02/05/new-jersey-man-arrested-after-drone-crashes-into-empire-state-building/21308353/	5 February 2016
A drone collides with a car in Navarra	https://www.estrelladigital.es/articulo/espanha/dron-colisiona-coche-navarra/20160206183449271071.html	6 February 2016
British Airways Airbus carrying 137 people is struck by a drone – April 17, 2016	http://www.dailymail.co.uk/news/article-3544651/British-Airways-plane-struck-drone-prepares-land-Heathrow.html	9 June 2017
2017		
Man gets 30 days in jail for drone crash that knocked woman unconscious –	https://www.theverge.com/2017/2/27/14755116/jail-sentence-drone-crash-30-days-seattle	27 February 2017
Drone crashes into Manhattan apartment, shatters window	http://abc7ny.com/news/drone-crashes-into-manhattan-apartment-shatters-window/1774826/	27 February 2017

This drone crashing into a bike race is every cyclist's nightmare	https://www.marketwatch.com/story/this-drone-crashing-into-a-bike-race-is-every-cyclists-nightmare-2017-05-09	9 May 2017
Pilot could face fine for drone crashes at Padres game	http://fox5sandiego.com/2017/05/22/pilot-could-face-fine-for-drone-crashes-at-padres-game/	22 May 2017
Drone crash knocks out power to 1,600 in Mountain View	https://www.mercurynews.com/2017/06/09/drone-crash-knocks-out-power-to-1600-in-mountain-view/	6 June 2017
Drone crashes through window of fancy Soho boutique	https://nypost.com/2017/07/05/drone-crashes-through-window-of-fancy-soho-boutique/	5 July 2017
2 injured as drone crashes at Udupi Krishna fest	https://timesofindia.indiatimes.com/city/mangaluru/2-devotees-injured-as-drone-crashes-at-udupi-krishna-fest/articleshow/60706042.cms	16 September 2017
Drone falls from the sky at Palms Place pool, injures woman	https://www.ktnv.com/news/drone-falls-from-the-sky-at-hotel-pool-injures-woman	21 September 2017
Civilian drone crashes into Army helicopter	https://nypost.com/2017/09/22/army-helicopter-hit-by-drone/	22 September 2017
A Drone Crashed Into an Airplane in Quebec	http://fortune.com/2017/10/16/drone-airplane-quebec-collision/	16 October 2017
Candy-carrying drone crashes into crowd, injuring six in Gifu	https://www.japantimes.co.jp/news/2017/11/05/national/candy-carrying-drone-crashes-crowd-injuring-six-gifu/	7 November 2017
A Tokyo University drone for research crashed and caused a forest fire	https://aviation-safety.net/wikibase/wiki.php?id=201542	21 November 2017
2018		
Drone that rescued two teens from heavy surf needs help of its own after it crashes and gets sent back to manufacturer	http://www.dailymail.co.uk/news/article-5304959/Drone-rescued-teens-crashes-training-exercise.html	24 January 2018

6.3 Parazero SafeAir™ safety system overview

Parazero Israel, which will be acquired by the Company, offers a drone safety system called SafeAir™. The system includes a computer, parachute, flight termination system and audio warning device.

The safety package monitors key flight parameters independently of the drone's avionic systems. When critical failures are identified, the system triggers the patented ballistic parachute to control the descent and to minimise the impact energy when the drone hits the ground.

The system is made up of various components:

SmartAir™ computer: Sensors and processing unit that enable the system to make autonomous decisions relating to flight termination and parachute deployment. The SmartAir™ uses a number of independent sensors (IMU, gyros, GPS, barometer, and others) to identify critical failures such as freefall, power loss and loss of control.

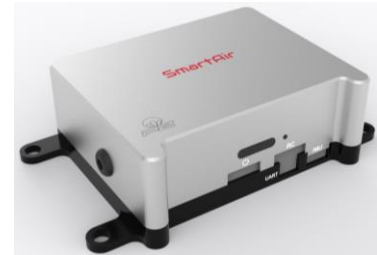


Figure: SmartAir™ computer

Parachute: ParaZero's patented parachute launcher includes a pyrotechnic component that opens the chute to full canopy in a fraction of a second. This allows safe drone operations even at very low altitude.

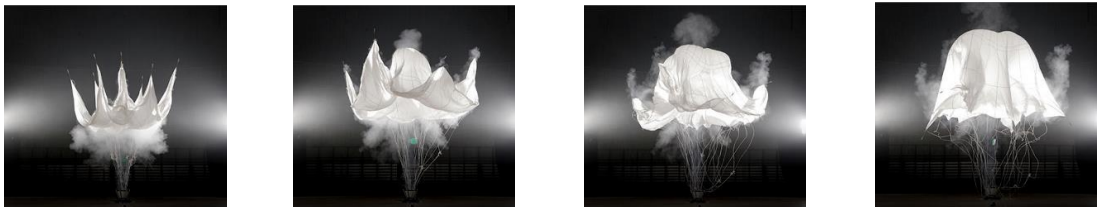


Figure: ParaZero's proprietary ballistic parachute deployment

TerminateAir™: Flight termination system that engages during deployment and cuts power to the rotors to prevent parachute cord entanglement and laceration injuries on the ground.



Figure: TerminateAir™ flight termination system

Audio Warning Device: Upon deployment, a buzzer is activated to warn bystanders to move out of harm's way. This is an important part of the system as it drastically reduces the probability of impact with a human on the ground.

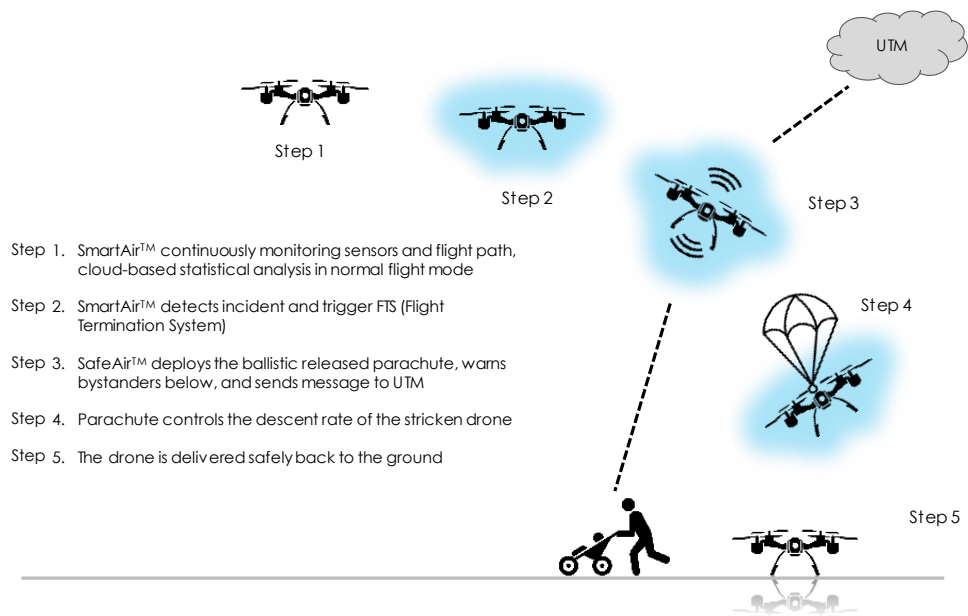


Figure: The ParaZero SafeAir™ system operation

SafeAir™ products are divided into three main categories:

- generic;
- after market; and
- custom projects.

Generic SafeAir™ systems are defined by weight categories. SafeAir 10 (SA10) is designed for the 8-12kg range, SafeAir 30 (SA30) is designed for the 25-35kg range, and SafeAir 350 (SA350) is designed for platforms up to 350kg. These products might require customisation in order to connect to different platforms. ParaZero systems are designed to cover drones from 1 to 350kg Maximum Take Off Weight (**MTOW**).

Aftermarket SafeAir™ systems are products for specific drone platforms, the system's design, computer, attachment apparatus and flight termination systems are custom made to fit the designated drone models/platform and its features. These systems offer easy plug and play installation with user friendly features that make it accessible to any user. These systems are normally sold online to customers at the time or after the purchase of the drone. Currently, the aftermarket SafeAir™ system fits two current models/platforms, the DJI Matrice 600 and DJI Matrice 200. These two drone models are both very popular commercial drone platforms in the world.

Custom SafeAir systems are systems that are developed for specific original equipment manufacturers (**OEMs**) and are integrated into the drones from the design stage. These systems incorporate ParaZero's core technologies and are seamlessly embedded into the drone to provide a fit as part of the design.

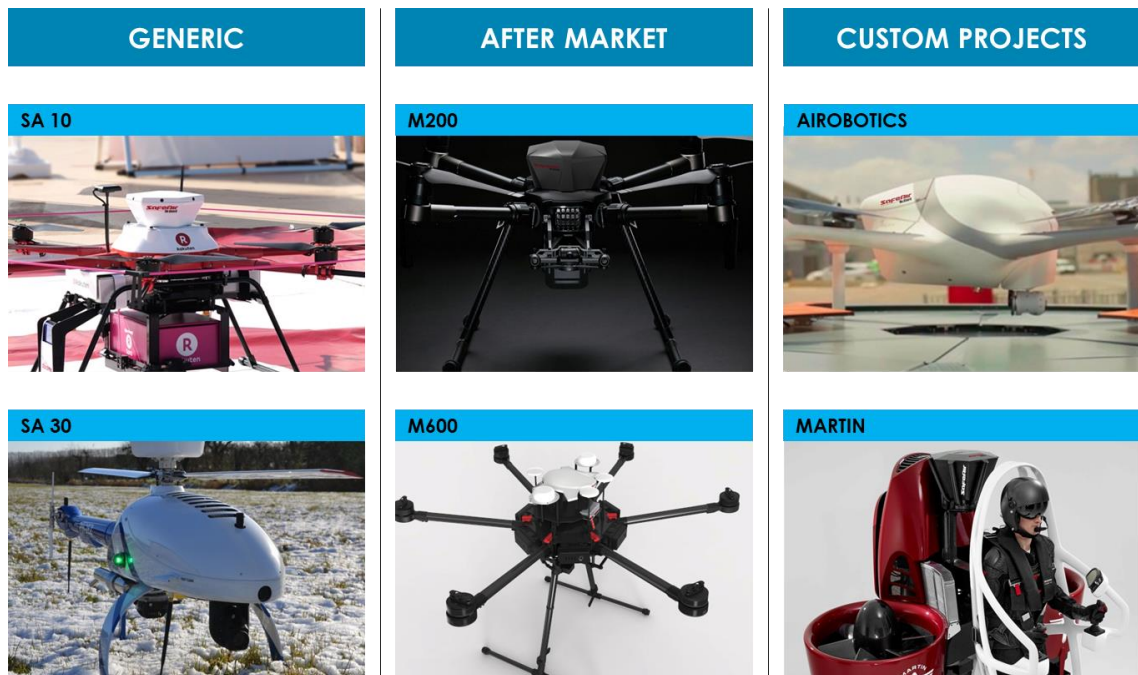


Figure: Example of Parazero SafeAir™ products attached to different drones

Set out in Section 8 is more detail in relation to Parazero's intellectual property and registered patents.

6.4 Competitor Analysis

With the overall growth in the global drone market there has been a corresponding growth in the drone safety market as companies strive to create systems to mitigate risks. The Company (and Parazero Israel) remains confident in the performance of its products against its competitors.

In particular, the Company highlights the following strong features of its products:

- (a) **Autonomous Triggering** - the autonomous system capabilities identifies loss of control and decides on recovery.
- (b) **Low altitude capabilities** – the combination of autonomous triggering capabilities along with the SafeAir™'s ballistic parachute enable safe emergency recovery even at very low altitudes.
- (c) **Patented ballistic parachute launcher** – Parazero Israel has developed a parachute launcher and has patented the technology (refer to Section 8).
- (d) **Independent flight termination system** – the system shuts down the rotor power, prevents entanglement with the rotors and mitigates the risk of laceration injuries.
- (e) **Black box** - data collected is stored and can be used for post deployment analysis.

6.5 Regulation

As is often the case with regulation and technology, regulation around the operation and flight of unmanned aerial vehicles around the world is lagging behind the technological capabilities. However, as use, and therefore incidents,

occur, many countries have developed strict regulations that prohibit use of such vehicles except in specific scenarios.

In many countries, flight over people and beyond-line-of-sight are typically prohibited. These two operational requirements are critical for the industry to realise its full potential as many of the commercial unmanned flight use-cases take place in urban environments and cannot be performed while these limitations are in place.

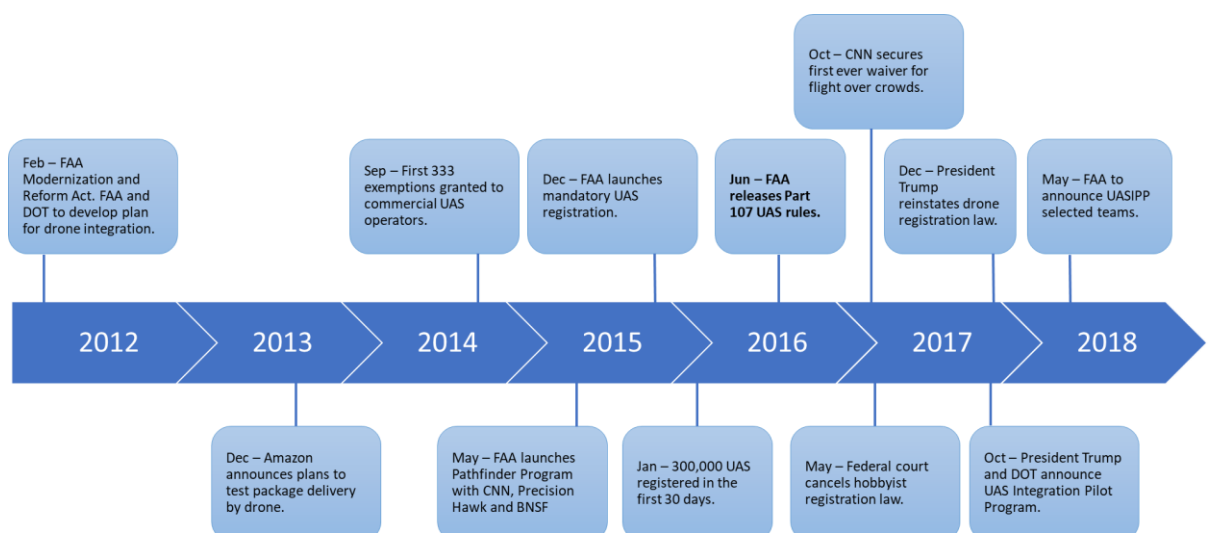
Industry players large and small have been increasing the pressure on regulators around the world to loosen the restrictions and allow them to operate more freely. One of the delaying factors is the lack of operational data and statistics that would allow regulators to understand the actual risks in each type of operation and aircraft as well as the technologies and operational procedures required to mitigate the risks. Major industry players, including ParaZero Israel, have been stepping up to cooperate with civil aviation authorities to provide the data and expertise needed to inform rulemaking. Currently, there is no specific regulation that relates specifically to safety systems on UAVs, however it is reasonably expected that regulations will come into force in the near future.

6.5.1 United States regulatory environment

As outlined above, the United States is currently the largest market for drone use in the world.

Commercial operators in the US operate under the Code of Federal Regulation, Title 14, Part 107⁶ (**Rule**). Part 107 came into effect in August 2016 and is also known as the 'Small UAS Rule' (before Part 107 was released, UAS were categorised as an 'Aircraft' and had to abide by many of the same rules as a commercial aeroplane).

A background on the development of regulation in the United States is shown in the timeline below:



Part 107 has an opening for drone operators to apply for waivers from certain sections of the Rule after they prove to the FAA that they can operate safely. As of late-October 2017, 1,346 waivers had been granted by the FAA. While this is a

⁶ <https://www.ecfr.gov/cgi-bin/text-idx?SID=e331c2fe611df1717386d29eee38b000&mc=true&node=pt14.2.107&rgn=div5>

considerable number, 88% of the waivers were to enable night time operations, while only 7 waivers were granted for operations above people.

Those 7 waivers are summarised below:⁷

Company Name	Date Granted	How was this achieved?
CNN	October, 2017	This waiver allows CNN to fly the Vantage Snap drone over people. The Snap weighs 620 grams and is frangible. The combination of light-weight, frangibility and 150ft max altitude mean that the kinetic energy transferred to a person upon impact is low.
CNN	July, 2017	This waiver allows CNN to fly over people for closed-set filming only. CNN must receive written consent from all those on set.
NovaSite	November, 2017	This waiver allows NovaSite to fly a DJI Phantom 4 Pro over people. The company must keep the drone on a tether at all times. Tethering the drone eliminates a number of failure scenarios such as power loss and lost link.
FLIR	April, 2017	This waiver allows FLIR to fly the Prox Dynamics – PD-100 over people. The PD-100 is a micro-UAS that weights only 18grams.
X Team (Google)	September, 2017	This waiver allows X to test small scale package delivery on a closed set at the Blacksburg, VA FAA test site.
AeroVista	November, 2017	This waiver allows AeroVista to fly the Aerotain blimp drone over people. The Aerotain blimp is a powered helium balloon that resembles a giant beachball.
Flytcam	November, 2017	This waiver allows Flytcam to fly over people for closed-set filming only. Flytcam must receive written consent from all those on set.

SafeAir™ is intended to allow safe flight over people with far heavier drones than those that secured waivers. These drones can fly longer, faster and higher and carry far superior cameras and sensors that can be used for many applications that are not possible with drones models the subject of the waivers granted above.

6.5.2 Regulation in other countries

Australia – Australian drone law falls under *Civil Aviation Safety Regulation (1998)* Part 101. Operators need to hold a remote pilot license (RePL) and a Remotely Piloted Aircraft's operator certificate (ReOC). In September 2016 the law was amended to allow drone operators to fly 15-30 meters from non-company personnel as long as they are notified and consent. Certain operations that are not permitted by the basic law may be approved by Civil Aviation Safety Authority (CASA) via a Flight Authorization Approval. ParaZero intends to be a key consideration in CASA's approval of flight authorisations.

⁷ https://www.faa.gov/uas/request_waiver/waivers_granted/

CASA has defined an excluded RPA category that are considered to be lower risk based on size and operational use. CASA highly recommends the use of safety solutions such as parachutes for this category⁸. Drones that fall within the category of "excluded RPA" include:

- (a) "very small" (under 2kg) RPA operated for commercial purposes;
- (b) "small" RPA operated by private landowners on their own property; and
- (c) "medium" RPA operated by private landowners on their property (subject to some additional pilot licensing requirements).

European Aviation Safety Agency (EASA) – Up until December 2017, EASA was not responsible for regulating drones under 150kg. Realizing that a patchwork of rules and regulations will hamper the industry's growth the EU Commission changed the original law and authorized EASA to regulate drones from 250g to 150kg⁹. EASA has launched a rulemaking process and has published a notice of proposed rulemaking (NPA). The NPA is in its final review stages before adoption by the commission after which it will be gradually adopted by the member states over the next few years.

EASA divides the drone operations into 3 categories¹⁰:

- (a) Open category - The open category is for the very low risk drone operations, therefore without involvement of aviation authorities, even for commercial operations. Operations over people are permitted for drones under 900g or with a KE lower than 80J.
- (b) Specific category - The specific category should cover operations that do not meet the characteristics of the open category where a certain risk needs to be mitigated by additional operational limitations or higher capability of the involved equipment and personnel. For the specific category "Operations Authorisation" (OA) will be issued by the CAA, this is a similar model to the current waiver model we are witnessing in the US. ParaZero intends to be a key consideration in CAAs approval of OAs, as in the Airobotics case.
- (c) Certified category – The certified category will cover operations that are very high risk. The requirements may meet those of manned aircraft.

France – The French Civil Aviation Authority (Direction générale de l'aviation civile or DGAC) has been very active in regulating the use of drones over the past few years. DGAC divided drone operations into 4 scenarios.

- (a) S-1: Using a drone outside a populated area, without flying over any third party, staying within the pilot's line of sight, and within a horizontal distance of no more than 200 meters from the pilot.
- (b) S-2: Using a drone outside a populated area, where no third party is within the area of operation, within a horizontal distance of no more than 1 kilometer from the pilot, and not falling within the definition of S-1.

⁸ AC 101-10 Remotely piloted aircraft systems – operation of excluded RPA (other than model aircraft)

⁹ <http://www.consilium.europa.eu/en/press/press-releases/2017/12/22/updated-aviation-safety-rules-and-new-rules-on-drones-approved-by-the-council/>

¹⁰ https://www.easa.europa.eu/system/files/dfu/204696_EASA_concept_drone_brochure_web.pdf

- (c) S-3: Using a drone in a populated area, but without flying over any third party, staying within the pilot's line of sight, and within a horizontal distance of no more than 100 meters from the pilot; This scenario requires a parachute that would reduce impact energy to below 69J for all drones between 2kg to 8kg.
- (d) S-4: Using a drone outside a populated area, but not in a manner falling within the definitions of S-1 or S-2.

Other countries such as Slovenia, Chile, Latvia and others have rules that require parachutes in certain situations.

6.6 Market Strategy

Parazero Israel has already commenced small sales of its products in various markets around the world, including the United States, Israel, Japan, France, New Zealand, China and the Netherlands.

In growing its sales, the Company has identified various markets based on a combination of volume potential, regulation, market needs and safety culture as target markets to increase and grow the Company's sales and revenues post listing. Those markets include, the United States, Japan, Europe and Australia.

Needs based assessments are made on the need of commercial drone operators to operate above people, where they are currently limited by regulation, and where beyond-line-of-sight operations occur, as the Company's products have the potential to unlock limitations on the ability of operators to operate within those limitations.

The types of businesses that are targeted include: fire departments, police, home land security, search and rescue operators, news and media organisations and construction and infrastructure inspection operators. Some of these organisations typically have their own drones, and some use service providers.

The Company considers that the benefit to these businesses and organisations to utilising the Company's products include the ability to obtain waivers from regulations to operate which they are otherwise unable to obtain today (refer to the Case Study shown in Section 6.7 below).

In addition, the Company considers that insurance companies are also a natural target, given their inherent interest in reducing claims and risks of their drone-operating clients.

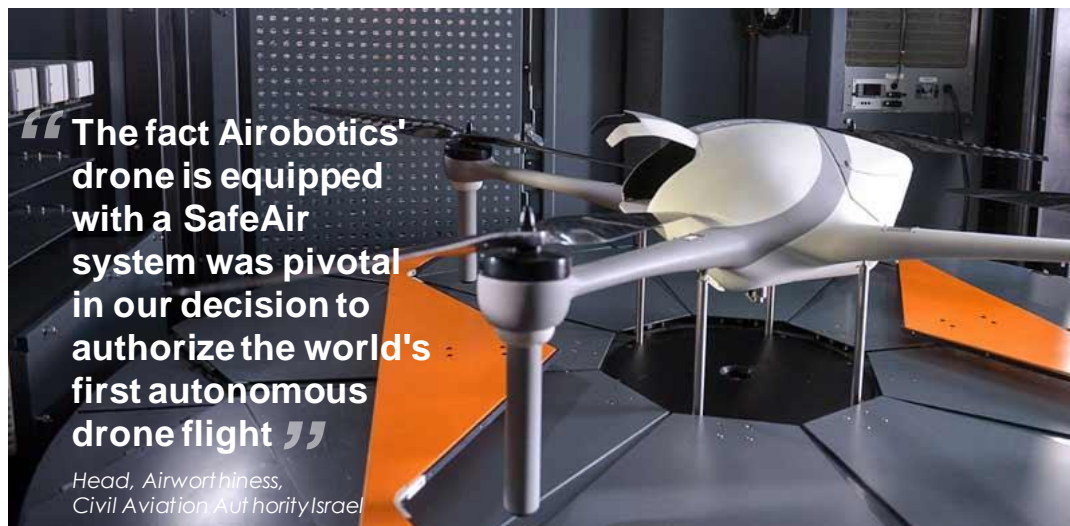
Once mandatory by regulation, there will be a rise in competitive offering. ParaZero aims to grasp a strong market footprint beforehand, and also develop technology, quality, and maturity advantages to become and maintain dominance.

6.7 Case Study: Airobotics – SafeAir™ key to Airobotics achieving autonomous operation approval

Airobotics, an Israeli drone company, is the first company in the world to receive authorisation for autonomous flights for business purposes. The authorisation, granted by the Civil Aviation Authority of Israel (CAAI), required stringent safety assessment of all aspects of the autonomous operation, including automated response to safety issues, and around 10,000 flight hours.

The Head, Airworthiness of the CAAI advised that *"The fact Airobotics' drone is equipped with a SafeAir system was pivotal in our decision to authorize the world's first autonomous drone flight"*.

Airobotics, equipped with SafeAir™ systems have also received exemptions by both CASA and FAA for commercial flights beyond line of sight and night-time operations respectively.



6.8 Objectives

The Company's proposed objectives on completion of the Offer are:

- complete the Acquisition;
- increase the current sales rate of the Technology by expanding sales and marketing resources and building channel partnerships;
- undertaking additional research and development on the Technology to expand its scope and usability; and
- grow Shareholder value through the exploitation and growth of the Technology in markets around the world.

The Company believes on completion of the Offer it will have sufficient funds to meet its states objectives.

6.9 Sales Strategy and business model

ParaZero Israel currently sells drone safety systems through numerous channels:

- **Direct sales to OEMs:** ParaZero Israel currently offers direct supply to drone manufacturers that can be integrated into their platforms from the design stage.
- **Direct Sales to Aftermarket:** Sale of the SafeAir™ systems are actively marketed through sales channels such as distributors and retailers.
- **ParaZero's e-commerce platform:** SafeAir™ systems can be purchased on ParaZero Israel's website. This platform has been launched in August 2017.

These sales channels are expected to continue to be utilised after the completion of the Offer and the listing of the Company. Further information on each of these channels is set out below:

6.9.1 Direct Sales – these can be divided into two main categories:

- (a) New products – Direct sales of new SafeAir™ Systems either to OEMs who integrate the system into their drones or to end users that install the systems onto drones they purchased off the shelf. These can be sales direct to manufacturers or as aftersales products available for purchase from the Company's website.
- (b) Aftersales support for parachutes that were deployed - The parachute component of the SafeAir™ System is for one-time use. Therefore, the Company offers aftersales support after deployment.

To date, over 1,400 systems have been sold direct to the OEM as a fully integrated unit. The aftermarket e-commerce platform was recently launched to support aftermarket sales.

Parazero Israel has contracts or arrangements in place with various drone manufacturers to provide them with its safety systems for their drone products. The terms of these contracts range from volume and supply arrangements to simple pricing agreements upon receipt of purchase orders. Parazero has previously provided safety systems to drone manufacturers, as shown by the case study set out in Section 6.7 above, and which have resulted in the existing sales numbers referred to above.

As set out in this Prospectus, the Company's intention is to seek to grow these orders, which could include entering into new supply contracts or expanding on existing arrangements through increased marketing and promotion both in existing and new markets.

6.9.2 Potential revenue streams

In addition to the above, the Company and Parazero Israel have identified the following potential revenue streams that are capable of being monetised as the sales revenue continues to grow.

- (a) **Software-as-a-Service (SaaS)** – The SafeAir™ software package has the potential to generate recurring monthly revenue from a pay-per-use model.
- (b) **Data monetisation** – Many options exist for the monetisation of the data that is collected from the system in relation to sUAV incidents, their causes and other operational data collected from the products. The exact model may vary based on the type of data and customer.
- (c) **Consulting fees** – either hourly fees or project based. The Company will be able to offer consulting services to customers that are applying for waivers or developing their safety strategy.

As the business continues to grow, the Company may identify additional revenue streams to more fully utilise exploit the Company's Technology and opportunities in what remains a reasonably early stage and growing market.

6.10 Research and Development

SafeAir™'s base platform architecture is designed to have flexibility to support continued development and functionality enhancement of the SafeAir™ package.

Developments are underway for next generation capabilities. In addition, adding sensors for advanced real-time and post flight analytics.

6.11 Manufacturing

ParaZero Israel currently outsources the manufacturing of key components and assembles the SafeAir™ systems and preforms quality assurance in-house. ParaZero Israel believes that the crucial processes of assembling and quality assurance must be in-house to validate safety and bring to the market the best in class safety systems.

ParaZero Israel currently uses high-end 3D printing solutions, carbon fibre, and advanced material technologies to ensure high quality products and impactful performance to ensure light weight products.

6.12 Revenues

Section 9 outlines copies of the Company's and Parazero Israel's audited accounts.

Until recently, ParaZero acted primarily as the in-house development lab for the SafeAir™ systems for a range of drones, both conventional quadcopters and rotary winged helicopters and providing low volume manufacturing, assembly and supply from its Israeli base. Parazero Israel has therefore only commenced selling its aftermarket products in November 2017.

Notwithstanding that, over the past three years, Parazero Israel has recorded a total audited revenue of approximately US\$1.1 million and recorded revenues of approximately US\$540,000 for the financial year ended 31 December 2017 (refer to the audited accounts in Section 9).

Although only small, the revenues generated to date, and the different markets in which Parazero Israel has been able to attract sales on its limited budget, are encouraging for the Company post completion of the Acquisition and the commencement of trading on ASX.

The success of the Company going forward will rely on the ability of the business to grow sales and maintain clients. As demonstrated by the use of funds, the Company intends on spending a significant amount of the funds received in marketing, business development in key market countries and promoting the existing products of the Company both in the existing markets in which it has operated and generated sales, but most importantly, in new markets where its products have not yet tested the market or had significant sales previously. Importantly, this would likely include the USA, Europe and Australia

6.13 Directors and key personnel

The Directors and key personnel of the Company on listing on ASX will be as follows:

B.Gen. (ret.) Eden Attias

Chief Executive Officer and Executive Chair

Eden Attias is currently the Chief Executive Officer of ParaZero Israel and will serve the same role within the Company. Prior to joining the ParaZero Israel, Israel nominated Mr. Attias as its first Ministry of Defense attaché to Ottawa, Canada. In this role, Mr. Attias spearheaded the defense relationship between the two nations, and greatly enhanced cooperation for military and security organisations. Under his command, the office created new trade opportunities for firms and facilitated long lasting international cooperation between the military and defense industries in both countries. Mr Attias has a distinguished military resume, having served in Israel's Air Force as a pilot and as a leader in numerous positions for over 30 years, achieving the rank of Brigadier General. During his tenure, he oversaw the move of the IAF's airlift base from Lod to the Nevatim air base in the Negev. He then commanded the Nevatim airbase from 2008 to 2011.

Mr. Attias Holds a Bachelors degree in Computer Science and Philosophy from Tel Aviv University and Masters in Public Administration from the University of Haifa.

Mr Attias has not served as a Director on any other ASX listed company.

Anton Uvarov

Non-Executive Director

Anton has significant experience as an equity analyst both in Australia and overseas. Prior to moving to Australia, he was with Citigroup Global Markets, where he spent two years as a member of the New York based Healthcare team. Anton's technical expertise and company knowledge spreads across a variety of industries and spectrum of market capitalisations, with his particular interest in early stage startups.

Anton holds a PhD degree from the University of Manitoba, Canada and an MBA degree from the University of Calgary, Canada. He is currently a non-executive Director of ElSight Limited (ASX: ELS).

The Board considers Anton to be an independent director as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Charis Law

Non-Executive Director

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

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

The Board does not consider Charis to be an independent director due to her existing consultancy agreement with Parazero Israel, which will terminate following completion of the Acquisition.

Dan Arazi

Non-Executive Director

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

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

The Board considers Mr Arazi to be an independent director as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

6.14 Management team

In addition to the Board, Parazero Israel US already has a strong and skilled management team that will continue working with the Company following completion of the Offer and the Acquisition.

Amir Tsaliah

Chief Technology Officer

Amir Tsaliah is a co-founder and Chief Technology Officer at ParaZero Israel, leading the innovation and technological vision of the company.

Mr. Tsaliah is a previous co-founder of Wisec Ltd, a security related company. In addition, he founded Bladeworx Ltd, Israel's largest civil UAV service provider and the first to gain an official approval by the Civil Aviation Authority of Israel, laying the foundations for commercial drone operations in Israel.

Mr Tsaliah is an expert in electronics, mechanics, materials and composite materials. As a student he participated in a Carbon Nano Tubes research project issued by the Israeli Ministry of Defense. He holds a certified patent in the field of drone safety. He has been nominated in 2014 for the "2014 Prime Minister's Innovation Award" in Israel. He holds a Bachelor of Science in Material Engineering from Ben Gurion University where he graduated Cum Laude.

Mr Tsaliah has entered into an employment agreement with Parazero Israel pursuant to which he is engaged as the Chief Science Officer and has subsequently been appointed Parazero Israel's Chief Technology Officer.

His employment agreement is terminable in accordance with terms considered standard for an employee agreement. The employment agreement is otherwise on standard terms under Israeli law.

There is no intention to change Mr Tsaliah's role or employment status after the Acquisition, and he will be entitled to receive Performance Options being issued under the terms of the Acquisition.

6.15 Disclosure of Interests

6.15.1 Interests in Securities

Directors are not required under the Company's constitution to hold any Shares to be eligible to act as a director.

At the time of listing, the Directors (including the Proposed Directors) will have the following relevant interests in the securities of the Company:

Director	Shares	Options	Performance Options ¹
Eden Attias ²	159,717	5,598,837 ³	18,000,000
Anton Uvarov ⁴	575,000	350,000 ⁵	Nil
Charis Law ⁶	375,000	200,000 ⁵	Nil
Dan Arazi ⁷	Nil	Nil	Nil

Notes:

1. Comprising 8,000,000 Class A Performance Options, 5,000,000 Class B Performance Options and 5,000,000 Class C Performance Options. Refer to Section 12.3 below for full terms of each class of the Performance Options.
2. Mr Attias' holding is through his controlled entity, EATC International Ltd.
3. These are Replacement Options. Refer to Section 6.17.
4. These Shares and Options are held by Mrs Yulia Uvarova as trustee of Techinvest Nominees, of which Mr Uvarov is a beneficiary.
5. These are Broker Options. Refer to Section 6.18.
6. These Shares and Options are held in her capacity as the trustee of the Law Family Trust.
7. Mr Arazi has indicated his intention to apply, through the Offer for up to \$16,000 worth of Shares in the Company.

6.15.2 Remuneration

None of the existing Directors or Proposed Directors of the Company have received any remuneration in their roles as Directors prior to the date of this Prospectus.

The remuneration of the Directors and Proposed Directors for the current financial year after Quotation are as set out below:

Director	Proposed remuneration for current financial year
Eden Attias	\$225,000
Anton Uvarov	\$40,000
Charis Law	\$40,000
Dan Arazi	\$40,000

The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a

general meeting. The maximum aggregate remuneration payable to the Directors (excluding salaries to executive directors will be \$300,000 per annum, post quotation, although may be varied by ordinary resolution of the Shareholders in general meeting.

The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

6.15.3 Agreements with Directors and Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

6.15.4 Executive and Non-Executive Agreements

The Company currently has non-executive agreements in place with Directors Anton Uvarov and Charis Law and Proposed Director, Dan Arazi.

Parazero Israel entered into an Executive Services Agreement with Eden Attias in August 2016 pursuant to which Mr Attias was appointed as Chief Executive Officer and Chair of Parazero Israel (**Attias ESA**). Under the Attias ESA, Mr Attias is entitled to receive, and has been issued options in Parazero Israel, which will be converted into Options in the Company (refer to the table in Section 6.15.1 above).

The Attias ESA is terminable by either party on 90 days' notice but may be terminated immediately where either party commits a material breach of the agreement, including for not performing the services under the agreement.

The Attias ESA is prepared in accordance with and is subject to the laws of Israel and contains terms and conditions which are considered standard for an agreement of its nature, including those in relation to confidentiality, non-solicitation, confirmation of proprietary rights and other standard clauses.

6.15.5 Consultancy Agreement – Charis Law

Charis Law has entered into a consultancy agreement with Parazero Israel dated 15 June 2017 pursuant to which she agreed to provide services to Parazero Israel including in relation to the development of its short term and long term funding strategies, assisting in developing presentation materials and financing modelling to assist in the due diligence processes.

In consideration of the work provided by Ms Law to Parazero Israel, the Company has issued her 375,000 Shares in the Company and following the payment of the \$100,000 from the proceeds of the Offer, the obligations under the Consultancy Agreement will have been satisfied.

6.15.6 Deeds of indemnity, insurance and access

The Company will enter into a deed of indemnity, insurance and access with each of its Directors and Proposed Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.

6.16 Additional Information

Prospective investors are referred to and encouraged to read in its entirety the Patent Report in Section 8.

6.17 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares¹

	Minimum Subscription
Shares currently on issue as at the date of this Prospectus	2,500,000
Shares to be issued under the Acquisition ²	51,580,391
Shares to be issued on conversion of Convertible Loans ³	8,750,000
Shares issued pursuant to the Offer	25,000,000
Issue of Shares pursuant to the Cleansing Offer	1,000
Total Shares on issue after completion of the Offer	87,831,391

Notes:

1. The rights attaching to the Shares are summarised in Section 12.2.
2. The number of Consideration Shares to be issued under the Acquisition Agreement is reduced by the number of Replacement Options being issued under the Company's ESOP to holders of existing options in Parazero Israel under its own employee option scheme. Please refer to Section 11.1 for a summary of the terms of the Acquisition Agreement.
3. The Company currently has on issue \$1,400,000 in convertible loans which will convert into Shares upon completion of the Acquisition at \$0.16 per Share. Please refer to Section 11.2 for the terms of the Convertible Loans.

Options

	Minimum Subscription
Options on issue as at the date of this Prospectus ¹	Nil
Replacement Options to be issued ¹	8,419,609
Performance Options to be issued ²	55,000,000
Broker Options to be issued ³	4,000,000
Total Options on issue after completion of the Offer	67,419,609

Notes:

1. Various employees in Parazero Israel currently hold options under an employee option scheme adopted by Parazero Israel at a date prior to its entry into the Acquisition Agreement. These Replacement Options are to replace the options held by those employees. The terms of the Replacement Options are set out in Section 12.4 below. The Company has applied to ASX for a waiver from the ASX Listing Rules to enable the Company to have these Replacement Options on issue with an exercise price of less than \$0.20.
2. These Options are exercisable at \$0.20 each and expire on or before the date being 5 years from the date of Official Quotation and are subject to the achievement of certain performance related vesting conditions before they can be exercised. Refer to Section 12.3 below for a summary of these Performance Options.
3. These options are exercisable at \$0.30 on or before the date that is three years from the date of issue. Refer to Section 12.5 for the full terms and conditions of these options.

6.18 Restricted Securities

Subject to the Company being admitted to the Official List, certain Securities on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. No Shares or Options issued under the Offer will be subject to escrow under the ASX Listing Rules.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

6.19 Dividend Policy

The Board anticipates that significant expenditure will be incurred in the development of the business. These activities are expected to dominate at least, the first two-year periods following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

6.20 Substantial Shareholders

Those Shareholders (and their associates) holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (on an undiluted basis) are set out in the respective tables below.

6.20.1 As at the date of the Prospectus

As at the date of this Prospectus, there is no Shareholder that holds a substantial holding in the Company.

6.20.2 On completion of the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer):

Shareholder	Shares	Performance Options	% (undiluted)
010 Yazamut Ltd	22,539,727	Nil	25.67%
Ron Kraus	10,493,383	Nil	11.95%

Notes:

1. None of these entities are related parties or associated with related parties of the Company. 010 Yazamut Ltd is controlled by Mr Yossi Schwartz.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

7. RISK FACTORS

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below and in the Investment Overview, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company and its business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section and in the Investment Overview, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 Risks specific to the Company

(a) **Conditional Offer**

The Offer is conditional upon the completion of the Acquisition and therefore will not proceed if the Acquisition is not completed in accordance with its terms (or any variation of those terms if agreed by the Company and the parties to the Acquisition Agreement in accordance with its terms).

If the Acquisition is not completed, Applicants will be entitled to the return of all of the funds lodged with their Application (without interest) in accordance with the process outlined in Section insert of this Prospectus.

(b) **Limited operating history**

The Company is essentially a start-up company with limited operating history and to date the Company and Parazero Israel have limited historical financial performance. The Company was incorporated in 2017 for the purposes of seeking opportunities to invest in technology companies and seeking a listing on ASX. Parazero Israel was incorporated in 2013. Parazero Israel is now in the commercialisation phase of the business cycle and as such carries the normal risks of a start-up business. Given the limited operating history of the Company and Parazero Israel, and the limited history of the products, no assurance can be given that the Company will achieve commercial viability through the implementation of its business plan. Until the Company is able to realise value from its products, it is likely to incur ongoing operating losses. Accordingly, the Company is not in a position to give any guidance around likely revenue or profitability.

(c) **Intellectual Property risk including pending patents**

A substantial part of the Company's commercial success will depend on its ability to maintain, establish, and protect Parazero Israel's intellectual property, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Parazero Israel currently has three granted patents (Israel, Hong Kong and China) and four

patent applications (Europe, United States, Israel and the World Intellectual Property Organisation). There is a risk that each pending application will not be granted. There is a further risk that the claims of each patent application, as filed, may change in scope during examination by the patent offices.

Further, if and where a patent is granted, there can be no guarantee that such patent is valid or enforceable or that the patent will be granted in other jurisdictions. Please refer to the Intellectual Property Report in Section 8 for more details.

The commercial value of these intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against Parazero or the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations. Please refer to the Intellectual Property Report in Section 8 for further details.

Additionally, the Company will rely heavily on the 'first mover' advantage gained by being the developers of the Technology.

(d) **Key person risk**

Parazero Israel was co-founded by Amir Tsaliah (Parazero's now Chief Technology Officer) and has been built based on his knowledge and experience. In 2015, Eden Attias returned from his posting as Defence Attaché in Canada and began serving as Parazero's CEO. Both Mr Eden Attias and Mr Amir Tsaliah have new employment agreements in place pursuant to which they have been employed by Parazero Israel, which will be a wholly owned subsidiary of the Company, to continue to build and grow the business of the Company. However, there can be no guarantee that should either Mr Eden Attias or Mr Amir Tsaliah leave or their contracts are terminated in accordance with their terms, the Company can attract appropriately qualified staff to replace them. The Company seeks to minimise this risk by providing appropriate

incentives to encourage all its employees to work towards the continued growth and success of the Company and in relation to Mr Attias and Mr Tsaliah includes the issue of Performance Options on the terms set out in this Prospectus.

(e) **Critical failure**

Given the nature of the Company's products and Technology, any critical failure of any of its products (for whatever reason), has the potential to cause damage to the Company, its brand and reputation, in particular where an injury or loss of life were to occur.

Parazero Israel has vigorously tested its products throughout its development, and has reason to have faith in the concepts underlying the Company's products and Technology. However, as the Company's sales and manufacturing grow, the Company will consider appropriate insurance policies and other protections for the Company from risks associated with its operation and business.

(f) **Uncertainty of future profitability**

The success of the Company's operations relies on the ability to attract more commercial users of the Technology and Parazero Israel's products. An inability to attract new clients and users will affect the Company's earning ability.

While Parazero Israel has been successful in attracting clients, in certain verticals and certain countries, this will not necessarily translate into successful utilisation in other verticals and countries. Furthermore, the Company's profitability will be impacted by its ability to successfully execute its commercialisation and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of any future profits are uncertain. Moreover, the level of profitability cannot be predicted.

(g) **Research and development**

The Company's products (summarised in this Prospectus) and its potential products are subject to continued research and development. There is no guarantee that the Company will be able to achieve its desired outcomes from that research and development either to enhance its existing products and adapt them to new and emerging technologies or to complete the development of the new products necessary for the introduction into new markets contemplated by the Company. Failure to successfully undertake and complete such research and ongoing development, anticipate market and technology trends and technical problems or estimate research costs or timeframes accurately may adversely affect the Company's results and viability.

Further, even if the Company successfully completes its contemplated research and ongoing development of its products successfully, there is no guarantee that its new products will be adopted into the new markets, or that its enhanced existing products will result in increased sales in its current markets, which may have a negative effect on the Company's revenues.

(h) **Technology risk**

Technology markets, by their very nature, are a continually evolving marketplace. To succeed, the Company will need to research, develop, design, manufacture, assemble and bring to market new enhancements to its existing products as well as new products that are suitable for existing markets and new markets that might not yet exist. The Company cannot guarantee that it will be able to engage in research or develop its existing (and new) products to the meet the changing needs of its markets and the new and emerging technologies. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive which could materially adversely affect the business, operating results and financial prospects.

In these circumstances the Company would be required to commit resources to developing or acquiring and then deploying new technologies for use in operations and to ensure competitive positioning of its services.

(i) **Regulatory Environment**

As with all technology companies, Parazero Israel is heavily reliant on the regulatory environment that applies to its products and associated technologies. Changes in the regulatory environment could lead to a loss of revenues for the Company. Further, it could hinder the Company's ability to retain existing customers and attract new customers, particularly if its products were perceived to be less compliant than its competitors, which would have a material adverse impact on the Company's prospects.

The company is trying to minimize these risks by being actively involved in developing regulatory framework for drone safety in various jurisdictions. Parazero have been invited by the FAA to join the team along with Google and Amazon to develop the regulations to enable safe and approved flight over populous areas and fully autonomous flight. Parazero have worked already with FAA ASSURE program, and are active members of the Drone Alliance Europe supporting the European drone regulation development

(j) **Competition**

The markets in which the Company will operate are particularly competitive, in particular due to the lucrative nature of the contracts and contacts available within the various verticals in which the Company will operate, notably the commercial and industrial drone applications. While the Company will try to manage this risk with a targeted marketing strategy, competition may arise from a number of sources including companies with greater capital resources. The Company's performance could be adversely affected if existing or new competitors reduce the Company's market share through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.

(k) **Sales and timing risks**

The commercial drones market, where a large portion of Parazero Israel's existing business comes from, is a competitive-based market and

thus hard to penetrate. The transaction cycle in this industry can be long and may take between months and years to close significant transactions, whilst remaining subject to changes in regulatory environment or customer's budget. Some of the costs incurred prior to sale, if the sale does not go through, cannot be recovered.

The Company will seek to mitigate these risks by having a diverse client base, as outlined in this Prospectus, to seek to ensure that it has a mix of ongoing revenue, whilst also continuing to seek to build its position in the commercial drones industries, both in Israel and elsewhere, including Australia. However, there can be no guarantee that this strategy will ultimately prove successful or be able to be implemented, because of circumstances of which the Company and Parazero Israel could not possibly be aware.

(l) **Production risks**

(i) **Costs**

The Company's existing products are comprised of components received from a small number of main suppliers. Any increase in the production levels required, as a result of ongoing growth in the business, or the inability of those suppliers to supply any of the materials used in the production of the Company's products, may cause delays or put at risk the Company's ability to meet its commitments under contracts to supply products and services to its clients.

To mitigate this risk, the Company will need to be able to identify and secure alternative sources for components used in the development of its products, or else may need to increase research and development spending to seek alternative solutions to a lack of components unavailable to the Company when needed.

(ii) **Quality control**

As the Company grows the sales and development of its products, it may face challenges and risks relating to the quality control over the manufacture of its products and components within its products.

As set out in Section 6.11, Parazero Israel currently handles assembly and quality assurance as an in-house process as a means of ensuring quality control over its products, and intends, in the short term, to maintain that policy.

(m) **Regulatory risk**

As with any technology product offering, the Company and Parazero Israel may be exposed to the regulatory environment of a particular jurisdiction. Any adverse regulation may restrict the ability to operate its products in a particular jurisdiction. Similarly, any change in regulation may restrict the Company and Parazero Israel's ability to operate its business in the jurisdictions in which it currently operates.

7.2 Industry specific

(a) User experience risk

The Company's business model is based on recurring revenue arising from technology users and customers. A poor user experience may not necessarily be anticipated and may affect growth of customer numbers and repeat purchases or ongoing contracts with the Company for use of its services. Factors which may contribute to poor customer experience include:

- ease of setting up and commencing use of the products offered;
- simplicity and reliability of customer usage; and
- quality of services provided.

Poor user experiences may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of the Company's products. If any of these occur, it may adversely impact the Company's revenues.

(b) Scalability

Scalability is the key to any technology company that is looking at a potential global market. While the Company believes that the Multichannel, other products, software and its service architecture have been built for scalability, there are no guarantees that its products will be able to meet future demand and requirements of consumers.

(c) Information technology risk

With any technical project there are risks with the chosen technology, vendors and employees and in execution. Whilst Parazero Israel has employed and engaged subject-matter experts, employs experienced persons, standard security technologies and approaches there are risks that delivery will fail to meet expectations or deadlines, that technologies become obsolete, natural disasters occur, the Company or Parazero Israel is the subject of a fraud or malicious attack or platforms are compromised resulting in a negative impact on the Company's performance.

(d) Reliance on third party providers

The Company intends to develop Parazero Israel's products so that they can be utilised with a number of drone manufacturers, and compatible with other hardware devices. While the Company will therefore depend on its products being able to operate on a range of systems, platforms and devices, it is unable to control third party developers of such systems. Any changes to external platforms, systems or devices that give preference to competing products or adversely impact on the functionality of the Company's products may render consumers less likely to use the Company's products, which may have a detrimental impact on the Company's financial performance. Likewise, the Company's products are predicated on consumers being able to access the internet and cellular networks. If third party providers raise the cost of these networks or restrict the ability of consumers to access

these networks via the Company's products, this is likely to detrimentally affect the Company's financial performance.

(e) **Brand risks**

Parazero Israel has developed trademarks which it hopes to become identified with its business as it grows and has one registered trademark. The Company believes that to have global branding is critical for the long term success of its business. Negative commentary or a complaint regardless of accuracy via social media, media in general and or word of mouth may have a damaging impact on the ability of the Company to reach its potential, and may not necessarily be based on accurate data or real experience.

Furthermore, claims by third parties of rights to the Company's trading names may cause the Company to incur costs or be required to pay damages or lose rights to their use. This may adversely impact on the operating results and potential of the Company.

(f) **Third party tools and platforms**

While the use of third party tools and common libraries is common in the industry, the Company is exposed to the risks associated with their use, such as security breaches and hacker attacks. If the third party tools used by the Company are subject to cyber-attacks by hackers, its products and software may be affected and the Company may lose customers, which would have a negative effect on the Company's revenues and profit.

(g) **Infringement of third party intellectual property rights**

If a third party accuses the Company or Parazero Israel of infringing its intellectual property rights or if a third party commences litigation against the Company or Parazero Israel for the infringement of trademarks or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, intellectual property litigation is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against the Company or Parazero Israel may be able to obtain injunctive or other equitable relief that could prevent Parazero Israel from further using its branding, trademarks or commercialising its products. In the event of a successful claim of infringement against the Company or Parazero Israel, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent Parazero Israel from commercialising available products and could cause it to incur substantial expenditure.

(h) **Future capital requirements**

There is no certainty regarding the ability of the Company to raise sufficient funds to meet its needs into the future. The Company's future capital requirements depend on a number of factors including the

Company's ability to generate income from its operations. The Company may need to raise additional capital from equity or debt sources due to unforeseen circumstances. There can be no assurance that the Company will be able to raise such capital on favorable terms or at all. If adequate funds are not available on acceptable terms the Company may not be able to develop its business and this may have an adverse impact on the Company's operations.

(i) **Exchange rate movement**

The Company is exposed to exchange rate movements because many of its costs and expenses will be in Israel and revenue it might earn in the future from its operations and product sales may not be paid to the Company in Australian dollars or Israel Shekels (used to pay its research and development costs and other expenses in Israel). Accordingly, movements in exchange rates may have an impact on the Company's financial position and performance.

(j) **Regulatory compliance**

The Company is required to comply with the laws governing privacy, taxation and consumer trade practices in each jurisdiction in which it operates. The Company may be subject to other laws in jurisdictions in which it plans to operate and the applicable laws may change from time to time.

These laws and applicable regulations give rise to risks and compliance costs for the Company. Non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of an accreditation, or the introduction of new laws or regulations may lead to fines imposed on the Company by the relevant regulatory authority or Governmental body, revocation of permits or licenses, or damage to the Company's reputation and may have a material adverse effect on the Company's costs, business model and competitive environment and therefore could materially adversely affect the Company's future financial performance and position.

(k) **Doing business outside of Australia**

The Company currently has all of its operations in Israel. For operational reasons the company may also establish operations in other jurisdictions.

Wherever the Company sets up operations the Company is exposed to a range of multi-jurisdictional risks such as risks relating to currency exchange rates, labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company operates. Businesses that operate across multiple jurisdictions face additional complexities from the unique business requirements in each jurisdiction.

Management experience will help to mitigate, but will not remove, this risk.

(l) **Insurance**

The Company and Parazero Israel seek to maintain appropriate policies of insurance consistent with those customarily carried by organisations in their industry sector. Any increase in the cost of the insurance policies of the Company, Parazero Israel or the industry in which they operate could adversely affect the Company's business, financial condition and operational results. The Company's insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of the Company's insured limits could adversely affect the Company's business, financial condition and operational results.

(m) **Contractual disputes**

The Company's business model is dependent in part on contractual agreements with third parties that have an interaction with the Company's target market. The Company is aware that there are associated risks when dealing with third parties including but not limited to insolvency, fraud and management failure. Should a third party contract fail, there is the potential for negative financial and brand damage for the Company.

(n) **Credit risks**

The Company will be exposed to credit risks relating to delayed or non-payments from its customers. A failure by the Company to adequately assess and manage credit risk may result in credit losses potentially resulting in a material adverse effect on the Company's business, operating and financial performance, including decreased operating cash flows

(o) **Foreign litigation risk**

From completion of the Offer, the Company will be the sole shareholder of Parazero Israel (via the Acquisition). Although Parazero Israel is an Israel company incorporated with limited liability of its shareholders, liability may be placed on the Company in certain circumstances, including in circumstances of creditor fraud and insolvency where Parazero shareholders are aware of those activities. Although the Company and Parazero Israel will seek to maintain appropriate policies and procedures to minimise this risk, some risk in relation to the activities of Parazero Israel remains.

Further, shareholders of the Company will be required to comply with the provisions of Israeli law, including the Israeli Law on Enforcement of Foreign Judgments, 5718-1958, in enforcing Australian security and corporate law actions against directors and offices in Israel. Any foreign judgments enforced by an Israeli court are generally payable in Israeli currency which could expose the Company to exchange rate risk.

7.3 General risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

There is no guarantee that there will be an active market for the Company's securities at the price of the Offer, nor that an active market for the Company's securities will develop in the future. If an active market for the Company's securities does not develop it may be difficult to sell Shares offered pursuant to this Prospectus.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. As the Company is essentially a start-up technology company, the value attributed by investors to the Company's securities may be subject to significant fluctuations based on investor sentiment toward start-up companies and the technology industry generally and may not reflect the actual operating performance of the Company. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology market including, but not limited to, the following:

- general economic conditions in jurisdictions in which the Company operates;
- changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the online classified advertising sector;
- movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(c) **Litigation**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

(d) **Investment risk**

The Securities to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Securities. The prices at which an investor may be able to trade the Securities may be above or below the price paid for the Securities. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

[commences on following page]

10 April 2018

The Directors
Diverse Security Needs Limited
Level 2, 46-50 Kings Park Road
West Perth WA 6005

**Intellectual Property Report for Diverse Security Needs Limited
Parazero Ltd - Patents
Our Ref: 21**

Dear Directors

We are instructed by Diverse Security Needs Limited ACN 618 678 701 (**DSN**) to provide this report ("Report") on the patent portfolio of Parazero Ltd., an Israeli Company registration no. 514932821 (**Parazero**).

The Report is for inclusion in a prospectus to be issued by DSN in connection with a funding agreement between Parazero and DSN (**Agreement**). We understand that the prospectus will be lodged with the Australian Securities & Investments Commission by DSN, on or about the date of this Report.

This Report sets out the particulars of intellectual property residing in patents, in the name of Parazero. This Report is based on data provided online by the relevant Patent Offices, including the World Intellectual Property Organisation (**WIPO**), US Patents and Trademarks Office (**USPTO**) and the European Patent Office (**EPO**), Israel Patent Office (**IPO**), State Intellectual Property Office of China (SIPO) and the Intellectual Property Department (**IPD**) of Hong Kong.

The Report is correct to the best of our knowledge as at the date of the Report, subject to the limits and qualifications set out further below.

Background

FB Rice

FB Rice is a firm of patent and trade mark attorneys specialising in the law and practices relating to intellectual property and, more particularly, patents, trademarks, industrial designs and plant breeders rights. All partners of FB Rice are Fellows of the Institute of Patent and Trade Mark Attorneys of Australia. In addition, all partners of FB Rice are registered New Zealand patent attorneys. The patent attorneys of FB Rice are specialists in the technology areas of electrical and mechanical engineering, electronics, chemistry, biotechnology, medical devices, computers, information technology and communication technology. Each of the professional staff members in the patent department of FB Rice hold tertiary qualifications in the technology area in which that person practises. Many professional staff members of FB Rice in the patent department also hold postgraduate qualifications.

Patents

Patents are an important component of an intellectual property portfolio. To obtain protection in any jurisdiction, it is necessary to file an application for registration of the relevant right in that jurisdiction. Patents are a form of intellectual property that cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. Patents are granted for inventions that are new or improved useful products or methods. A patent has a finite term of typically 20 years from the filing date and provides the owner with a period in which others may be excluded from commercially exploiting an invention that is covered by the claims of the granted patent. However, the granting of patent rights does not confer a right on the patentee to exploit an invention and this is subject to the existence of any intervening third party rights, such as an earlier patent in the same field which is in force.

The granting of a patent does not mean the patent is valid. A granted patent can be revoked through re-examination proceedings before the Patent Office in those jurisdictions that provide for re-examination, or through revocation proceedings before the Courts. Grounds for invalidity include the invention not being proper subject matter, not novel, not inventive (obvious), and the patent specification being deficient.

Maintenance of a patent is subject to payment of renewals, which if not paid within the allowed time, will result in the patent ceasing.

Trademarks

A trade mark is a way of identifying a unique product or service. There is no legal requirement to register a trade mark in order to use it. However, registering a trademark provides proprietary rights to use that trademark and exclusive right to prevent others from using it.

Patent Families

Parazero is officially recorded in the records of the respective Patent Offices, as the owner of the granted patents (**Parazero Patents**) and patent applications (**Parazero Patent Applications**) as set out in the table below.

In order to locate related applications worldwide, we queried a database of the EPO and confirm that the table below is complete. We also note that item 8 has been included because we have received and sighted the filing receipt of this application but we note that this application was not yet visible on the public records on the date of this report.

The Parazero Patents have undergone examination by the Patent Offices relevant to the jurisdictions, and are granted in each jurisdiction noted in the table below. The Parazero Patents will remain in force subject to payment of renewals as they fall due, and subject to no other adverse action. We note that one patent family entitled “SAFETY APPARATUS FOR A MULTI-BLADE AIRCRAFT” has been abandoned and is therefore not listed in the table below.

We set out below a list of the Parazero Patents and Parazero Patent Applications as of 23 March 2018:

Item	Title	Official Number	Status	Country
1	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	229068	Granted	Israel
2	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	PCT/IL2014/050920	Lapsed	World Intellectual Property Organisation
3	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	16113519.7	Granted	Hong Kong
4	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	15/030,533	Pending	United States
5	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	14855086.6	Pending	Europe
6	APPARATUS AND METHOD FOR RAPID DEPLOYMENT OF A PARACHUTE	201480058600	Granted	China
7	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	251342	Pending	Israel
8	METHOD AND SYSTEM FOR DECELERATING AND REDIRECTING AN AIRBORNE PLATFORM	PCT/IL2018/050303	Pending	World Intellectual Property Organisation

United States Specific Requirements

In the United States, each person associated with filing and prosecution of a patent application owes a duty of disclosure, candour and good faith toward the USPTO. Under this duty, any prior art known to those persons that could be material to the question of patentability of the claimed invention must be disclosed to the USPTO. This duty continues up to the date of grant of the United States patent.

The disclosure of relevant prior art takes place by filing an Information Disclosure Statement (**IDS**) with the USPTO. Failure to disclose relevant prior art can lead to any United States patent that issues being unenforceable.

Parazero appears to have met the required duty of disclosure, and there are no issues apparent from publicly available records in this regard that might affect Parazero's ability to enforce its United States patent application once granted.

Validity of Parazero Patents and Parazero Patent Applications

We are not aware of any specific prior art related issues that would be expected to affect the validity of the Parazero Patents or the Parazero Patent Applications. However, we have not performed a prior art search and have not conducted an analysis of any prior art documents.

In this context, we note that on the international application at item 4 above an International Preliminary Report on Patentability issued where all claims are found novel and inventive. While Examiners generally make their own assessment, this is the best possible outcome at that stage keeping in mind that Parazero Patents and Parazero Patent Applications at items 3-6 are based on the international application at item 2.

Ownership and Assignments

The rights to an invention generally lie with the inventors unless it has been transferred by agreement, such as employment contract or assignment.

We have reviewed the file history of items 1-6 and can see that rights to this invention were assigned as follows:

6 October 2014: Israeli application 229068 (item 1) was assigned from the inventors (Amir Tsaliah and Ran Krauss) to Wisec Ltd. We confirm that we have sighted the corresponding assignment document and it includes an assignment of the right to claim priority, which is important for the European application.

18 May 2015: Israeli application 229068 (item 1) and International application PCT/IL2014/050920 (item 2) were assigned from Wisec Ltd to Parazero Ltd. We have also sighted the corresponding assignment document and it also includes an assignment of the right to claim priority.

We note that subsequent applications of items 3-6 were filed after the second assignment of 8 May 2015 based on the international application at item 2 and under the name of Parazero Ltd., which is common practice.

Based on these assignments, Parazero appears to have proper title of the patents and patent applications at items 1-6.

Israeli application 251342 at item 7 was filed under the name of Parazero and we have sighted the corresponding assignment document from the inventor Amir Tsaliah to Parazero. Again, the assignment document also includes an assignment of the right to claim priority.

Based on this assignment, Parazero appears to have proper title of the patent applications at items 7 and 8.

General Statements about the Status of Patents and Patent Applications

We believe the information provided here to be accurate but caution that the accuracy of such information is, of necessity, subject to the accuracy of the databases accessed.

Patent Validity and Infringement of Third Party Rights

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.

This Report is not a 'Freedom to Operate' opinion and FB Rice makes no assertion that the patents and patent applications are valid or enforceable or Parazero or DSN has the freedom in any country to exploit the technology referred to in the relevant patent specifications without infringing intellectual property rights of third parties.

Further, it is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention.

FB Rice cannot guarantee that the patents, even if valid, will adequately cover any commercial products commercialised by Parazero, DSN, its licensees or sub-licensees, or that the inventions achieve the stated results or advantages.

Trade Marks

We have queried the official trade marks registers of Australia, the US, New Zealand, Europe, UK, Canada, China, Hong Kong, Japan and confirm that the following trade mark is registered in the name of Parazero:

US Serial Number	US Registration Number	Mark	Goods	U.S. Classes	Status
87264523	5274914	PARAZERO	Parachutes	019, 021, 023, 031, 035, 044	Registered

Independence

This is an independent report. When considering this Report, it should be noted that:

- a) FB Rice has reviewed the data on record for the Parazero Patents and Parazero Patent Applications and provided this Report accordingly. This service was charged on FB Rice's standard terms and conditions of engagement, being hourly rates for time spent. FB Rice will receive a total of approximately \$4,000 (exclusive of GST) for the services relating to the preparation of this Report and for services in relation to DSN's due diligence on the Parazero Patents and the Parazero Patent Applications in connection with the Agreement.
- b) Neither FB Rice, nor any of its principals or employees that were involved in the review of the Parazero Patents and the Parazero Patent Applications have any entitlement to any shares in Parazero or DSN, or has any interest in the promotion of Parazero or DSN, and has no financial interest in the outcome of the offer under the Agreement.

- c) FB Rice have prepared this Report. As noted above, FB Rice will be paid a total of approximately \$4,000 (exclusive of GST) for the services relating to the preparation of this Report and for services in relation to DSN's due diligence on the Parazero Patents and the Parazero Patent Applications in connection with the Agreement. Payment of this amount is not contingent on the outcome of the offer under the Agreement. FB Rice confirms that the Report has been prepared by Manuel Schmidt, Senior Associate, who is not associated with DSN or Parazero and has no financial interest in the outcome of the offer under the Agreement.

Yours sincerely

FB Rice

A handwritten signature in blue ink that reads "M. Schmidt". The signature is written in a cursive style with a large initial "M" and a period following it.

Manuel Schmidt

Senior Associate

mschmidt@fbrice.com.au

[commences on following page]



DIVERSE SECURITY NEEDS LIMITED
Investigating Accountant's Report

27 April 2018

27 April 2018

The Directors
Diverse Security Needs Limited
Level 2, 50 Kings Park Road
WEST PERTH WA 6005

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('**BDO**') has been engaged by Diverse Security Needs Limited, a company incorporated in Australia ('**Diverse Security Needs**' or '**the Company**') to prepare this Investigating Accountant's Report ('**Report**') in relation to certain financial information for inclusion in a prospectus ('**Prospectus**') to be issued by the Company in respect of the proposed initial public offering ('**IPO**') and listing on the Australian Securities Exchange ('**ASX**').

Broadly, the Prospectus will offer up to 25 million Shares at an issue price of A\$0.20 each to raise up to A\$5 million before costs ('**the Offer**').

In preparation for listing on the ASX a restructure will take place resulting in the newly incorporated Australian company, being the Company, becoming the legal parent of the group subject to the issue of shares under the Offer. As such, the historical financial information of the Company will be presented as a continuation of the pre-existing accounting values of Parazero Limited, an Israeli incorporated entity which conducts the business ('**Parazero**').

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('**BDO**') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The Company was incorporated on 21 April 2017 and has limited financial history. As such, the historical financial information of the Company will be presented as a continuation of the pre-existing accounting values of Parazero. The Company has requested BDO to review the following historical financial information of the Company and Parazero (together the '**Historical Financial Information**') included as appendices to our Report:

- the audited Statements of Financial Position, Performance and Cash Flows of Parazero for the years ended 31 December 2015, 31 December 2016 and 31 December 2017; and
- the audited Statement of Financial Position as at 31 December 2017 and Statements of Financial Performance and Cash Flows of the Company for the period from 21 April 2017 (incorporation) to 31 December 2017.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the audited financial reports of Parazero for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the Company for the period from 21 April 2017 (incorporation) to 31 December 2017.

The financial reports for Parazero for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 were audited by KPMG Somekh Chaikin (Israel) ('KPMG') in accordance with the International Financial Reporting Standards ('IFRS'). KPMG issued unmodified audit opinions on the financial reports for these periods, however did include an emphasis of matter noting Parazero Israel has limited capital resources, loss from operations, and accumulated deficit, all of which raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters include continued development and marketing as well as seeking additional financing arrangements.

The financial report for the Company for the period 21 April 2017 (incorporation) to 31 December 2017 was audited by BDO Audit (WA) Pty Ltd in accordance with the IFRS. BDO Audit (WA) Pty Ltd issued an unmodified audit opinion on the financial report, however did include an emphasis of matter noting that the ability of the Company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and debt.

The Historical Financial Information is presented in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') of the Company included in this Report:

- the Pro forma Historical Consolidated Statement of Financial Position as at 31 December 2017 which includes:
 - the subsequent events outlined in section 6 of our Report; and
 - the pro forma adjustments for the events outlined in section 7 of our Report.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6 and section 7 of this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the events or transactions described in section 6 and section 7 of this Report on the Company's financial position as at 31 December 2017. As part of this process, information about the Company's financial position has been extracted by the Company from its financial statements for the period ended 31 December 2017.

3. Directors' responsibility

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited Statements of Financial Position, Performance and Cash Flows of Parazero for the years ended 31 December 2015, 31 December 2016 and 31 December 2017; and
- the audited Statement of Financial Position as at 31 December 2017 and Statements of Financial Performance and Cash Flows of the Company for the period from 21 April 2017 (incorporation) to 31 December 2017,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

Pro Forma Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the Pro forma Historical Consolidated Statement of Financial Position of the Company as at 31 December 2017 which include:
 - the subsequent events outlined in section 6 of our Report; and
 - the pro forma adjustments for the events outlined in section 7 of our Report,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 2 of this Report.

6. Subsequent Events

The Pro forma Historical Consolidated Statement of Financial Position reflects the following events that have occurred subsequent to the period ended 31 December 2017 for Parazero and the Company:

- The receipt of \$612,000 post 31 December 2017 for Convertible notes issued by the Company;
- The receipt of US\$100,000 post 31 December 2017 for Convertible notes issued by Parazero; and
- A reduction of the share capital of Diverse Security needs of 7.5 million shares.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of the Company or Parazero not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro forma Historical Financial Information

The Pro forma Historical Consolidated Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements of Parazero and the Company as at 31

December 2017, the subsequent events set out in section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- An exchange rate of \$1USD to A\$1.28 for the translation of year end balances;
- In preparation for listing on the ASX an internal restructure will take place resulting in the Company acquiring Parazero under a Share Sale Agreement for the issue of 51,580,391 Shares to the Parazero shareholders and Convertible note holders and the issue of 8,419,609 options to the Parazero option holders. For the purposes of this Report, the restructure has been accounted for as a capital re-organisation rather than a business combination;
- The issue of 25,000,000 Shares at an issue price of A\$0.20 each to raise A\$5,000,000 (before costs) pursuant to the Prospectus;
- Costs of the Offer are estimated to be A\$595,900 based on the maximum subscription. The costs that relate to the issue of new shares under the Offer have been offset against contributed equity while the remaining costs have been expensed;
- The payment of \$100,000 in respect of a consultancy agreement;
- The issue of 8,750,000 Shares upon conversion of the outstanding convertible loans of A\$1,400,000 in the Company upon completion of the Offer. The conversion price was A\$0.16 per Share;
- Following the Acquisition, the loan outstanding of A\$700,000 between the Company and Parazero will be eliminated upon consolidation, these funds were transferred by Diverse Security Needs prior to 31 December and were received by Parazero post 31 December 2017;
- The issue of 4,000,000 Options (exercisable at A\$0.30 on or before the date that is five years from the date of issue). The Options have been valued using the Black Scholes option pricing model. As these securities have been issued in consideration for capital raising services provided, the value of the Options has been offset against contributed equity; and

The issue of 55,000,000 Performance Options (exercisable at A\$0.20 on or before the date that is five years from the date of issue). The Options have been valued using the Black Scholes or Binomial option pricing mode as appropriate.

Refer Section 12.3 of the Prospectus for full terms the Performance Options.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit (WA) Pty Ltd is the auditor of the Company and from time to time, BDO provides the Company with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained

in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Adam Myers

Director

APPENDIX 1

PARAZERO

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited period ended 31-Dec-17 US\$'000	Audited period ended 31-Dec-16 US\$'000	Audited period ended 31-Dec-15 US\$'000
Revenue	540	442	125
Cost of Sales	(329)	(521)	(105)
Gross Profit (Loss)	211	(79)	20
Expenses			
Research and development expenses	(977)	(548)	(715)
General and administrative expenses	(792)	(334)	(46)
Selling and marketing expenses	(404)	(240)	(129)
Operating loss	(1,962)	(1,201)	(870)
Financing income	-	-	5
Financing expenses	(513)	(106)	(11)
Financing income (expenses), net	(513)	(106)	(6)
Loss for the year	(2,475)	(1,307)	(876)

DIVERSE SECURITY NEEDS

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited period ended 31-Dec-17 A\$
Revenue	-
Other income	-
Corporate administration expenses	(20)
Loss for the period	(20)

The Historical Statements of Profit or Loss and Other Comprehensive Income show the historical financial performance of the Company and Parazero and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5. Past performance is not a guide to future performance.

APPENDIX 2
DIVERSE SECURITY NEEDS LIMITED
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Diverse Security Needs Audited as at 31-Dec-17	ParaZero Audited as at 31-Dec-17	Subsequent events	Pro-forma adjustments	Pro-forma after issue
	Notes	\$A	\$A	\$A	\$A	\$A
CURRENT ASSETS						
Cash and cash equivalents	2	88,010	69,151	1,440,057	4,304,300	5,901,518
Trade receivables		-	51,223	-	-	51,223
Other receivables		100	105,007	-	-	105,107
Loan receivable	3	700,000	-	(700,000)	-	-
TOTAL CURRENT ASSETS		788,110	225,381	740,057	4,304,300	6,057,848
NON CURRENT ASSETS						
Property plant & equipment		-	103,726	-	-	103,726
TOTAL NON CURRENT ASSETS		-	103,726	-	-	103,726
TOTAL ASSETS		788,110	329,107	740,057	4,304,300	6,161,574
CURRENT LIABILITIES						
Credit and current maturities of long term loans from banks		-	203,611	-	-	203,611
Trade payables		-	103,726	-	-	103,726
Other payables		30	353,438	-	-	353,468
Liability for Chief Office Scientist grants		-	152,388	-	-	152,388
Convertible notes	4	788,000	-	612,000	(1,400,000)	-
TOTAL CURRENT LIABILITIES		788,030	813,164	612,000	(1,400,000)	813,194
NON CURRENT LIABILITIES						
Long term loans from bank		-	75,554	-	-	75,554
Liability for Chief Office Scientist grants		-	341,913	-	-	341,913
Convertible loans	5	-	3,793,059	128,057	(3,921,116)	-
Borrowings		-	-	-	-	-
TOTAL NON CURRENT LIABILITIES		-	4,210,526	128,057	(3,921,116)	417,467
TOTAL LIABILITIES		788,030	5,023,691	740,057	(5,321,116)	1,230,661
NET ASSETS/(LIABILITIES)		80	(4,694,583)	-	9,625,416	4,930,913
EQUITY						
Share capital and share premium	6	100	-	-	9,613,367	9,613,467
Reserves	7	-	1,968,242	-	4,933,080	6,901,322
Accumulated losses	8	(20)	(6,662,825)	-	(4,921,031)	(11,583,876)
TOTAL EQUITY		80	(4,694,583)	-	9,625,416	4,930,913

The Pro forma Historical Consolidated Statement of Financial Position after the Offer is as per the Consolidated Statement of Financial Position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The Pro forma Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 3

PARAZERO

HISTORICAL STATEMENT OF FINANCIAL POSITION

	ParaZero Audited as at 31-Dec-17 US\$000	ParaZero Audited as at 31-Dec-16 US\$000	ParaZero Audited as at 31-Dec-16 US\$000
CURRENT ASSETS			
Cash and cash equivalents	54	483	-
Trade receivables	40	9	-
Other receivables	82	19	34
TOTAL CURRENT ASSETS	176	511	34
NON CURRENT ASSETS			
Property plant & equipment	81	53	-
TOTAL NON CURRENT ASSETS	81	53	-
TOTAL ASSETS	257	564	34
CURRENT LIABILITIES			
Credit and current maturities of long term loans from banks	159	58	49
Trade payables	81	178	81
Other payables	276	195	56
Liability for Chief Office Scientist grants	119	37	15
Loans from related party	-	-	1,080
TOTAL CURRENT LIABILITIES	635	468	1,281
NON CURRENT LIABILITIES			
Long term loans from bank	59	98	85
Loans from related party	267	173	81
Convertible loans	2,962	1,645	-
Liabilities for employee severance benefit, net	-	24	8
TOTAL NON CURRENT LIABILITIES	3,288	1,940	174
TOTAL LIABILITIES	3,923	2,408	1,455
NET ASSETS/(LIABILITIES)	(3,666)	(1,844)	(1,421)
EQUITY			
Share capital and share premium	-	-	-
Capital reserves	1,537	884	-
Accumulated losses	(5,203)	(2,728)	(1,421)
TOTAL EQUITY	(3,666)	(1,844)	(1,421)

The Historical Statements of Financial Position show the historical financial position of Parazero and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 4

PARAZERO

HISTORICAL STATEMENTS OF CASH FLOWS

Historical Statement of Cash Flows	ParaZero Audited for the year ended 31-Dec-17 US\$'000	ParaZero Audited for the year ended 31-Dec-16 US\$'000	ParaZero Audited for the year ended 31-Dec-15 US\$'000
Cash flows from operating activities:			
Profit/(loss) for the year	(2,475)	(1,307)	(876)
Adjustments for:			
Depreciation	14	-	-
Share based compensation	341	-	-
Change in trade and other receivables	(94)	(145)	167
Change in trade and other payables	(87)	111	(13)
Change in liability for Chief Office Scientist grants	176	114	95
Change in liabilities for employee severance benefit, net	(24)	16	8
Change in other adjusting item	330	231	3
Interest paid in cash	5	4	4
Net cash flows provide by/(used in) operating activities	(1,814)	(976)	(612)
Cash flows from investing activities:			
Acquisition of fixed assets	(42)	(54)	-
Net cash flows provide by/(used in) investing activities	(42)	(54)	-
Cash flows from financing activities:			
Receipt of loans from banks	-	78	129
Repayment of bank loans	(46)	(53)	(16)
Change in credit from banking institutions	93	(23)	(2)
Proceeds of loan from related party	-	920	499
Proceeds from convertible loans	1,380	591	-
Net cash flows provide by/(used in) financing activities	1,427	1,513	610
(Decrease)/increase in cash and cash equivalents	(429)	483	(2)
Cash and cash equivalents at the beginning of the period	483	-	2
Cash and cash equivalents at the end of the period	54	483	-

DIVERSE SECURITY NEEDS

HISTORICAL STATEMENTS OF CASH FLOWS

Historical Statement of Cash Flows	Company Audited for the period 21-April-17 to 31-Dec-17 A\$
Cash flows from operating activities:	
Payments to suppliers	(20)
Net cash inflow/(outflow) from operating activities	(20)
Cash flows from financing activities:	
Proceeds from borrowings	30
Proceeds from issue of convertible notes	788,000
Loan provided	(700,000)
Net cash inflow/(outflow) from financing activities	88,030
Net increase/(decrease) in cash and cash equivalents	88,010
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	88,010

The Historical Statements of Cash Flows show the historical cash flows of the Company and Parazero Israel and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 5

DIVERSE SECURITY NEEDS

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

Basis of preparation of Historical Financial Information

The Historical Financial Information of Diverse Security Needs has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The Financial information of Parazero has been prepared in accordance with the recognition and measurement but not all the disclosure requirements of IFRS.

Going Concern

The Historical Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result, the Historical Financial Information has been prepared on a going concern basis. However, should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

Reporting Basis and Conventions

The Report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Historical Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

Capital Restructure

In preparation for listing on the ASX, an internal restructure will take place resulting in the Company, becoming the legal parent of the group subject to the issue of shares under the Offer. For the purposes of this Report, the restructure has been accounted for as a capital re-organisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to the initial public offering of shares in the Company and most appropriately reflects the substance of the internal restructure.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management of the Company to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Operating cycle

The operating cycle of the Company is one year. Thus, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2016 for the purposes of the transition to IFRSs unless otherwise indicated.

Cash and cash equivalents

Cash and Cash Equivalents includes bank balances and bank deposits that were deposited for periods that do not exceed three months, and there are no contractual restrictions for their use.

Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets

The Company initially recognizes receivables on the date that they are created. Non-derivative financial instruments include accounts receivable and cash and cash equivalents.

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are not exposed to significant risks of change in value.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contract creating the obligation.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when the obligation is discharged or cancelled.

(3) Change in terms of debt instruments

An exchange of debt instruments having substantially different terms, between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Furthermore, a substantial modification of the terms of the existing financial liability or part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

If a shareholder forgives the debt, then it is likely that the shareholder is acting in the capacity of a shareholder and that the forgiveness of debt should be treated as a capital transaction. The outstanding financial liability should be reclassified to equity and no gain or loss should be recognized.

(4) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of the shares are recognized as a deduction from equity, net of any tax effects.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized net within “other income” or other expenses” as relevant in profit or loss.

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

Gains and losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized in profit or loss.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The cost of replacing part of a fixed asset item and other subsequent expenses are capitalized if it is probable that the future economic benefits associated with them will flow to the Group and their cost can be measured reliably. The carrying amount of the replaced part of a fixed asset item is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|----------------------------------|---|
| • Furniture and office equipment | 3-17 years |
| • Computers | 3 years |
| • Leasehold improvements | The shorter of the lease term and the useful life |

Depreciation methods and useful lives are reviewed at the end of each reporting year and adjusted if appropriate.

Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

No impairment losses were recorded during 2017.

Revenue Recognition

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted.

Revenue is recognized when persuasive evidence exists (usually in the form of an executed sales agreement) that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards occurs when the goods are transferred to the customer.

Research and development expenses

Research and development expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Since the Company's research and development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied, and, therefore, research and development expenses are recognized in profit or loss when incurred.

As of December 31, 2017, no development expenditures have met the recognition criteria and thus the Company expensed all of its development expenditures as incurred.

Income taxes

Income tax includes current and deferred tax. Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

A provision for uncertain tax positions, or reduction in deferred tax asset, is recognized when it is more probable than not that the Company will have to use its economic resources to pay the obligation.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that there will be future taxable profits against which such tax benefits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As of December 31, 2017, no deferred tax assets have been recorded since it is not probable that the Company will have future taxable income against which any tax losses, benefits or deductible temporary differences can be utilized.

Employee benefits

(1) Post-employment benefits

The Company's liability for severance pay is pursuant to Section 14 of the Israeli Severance Compensation Act, 1963 ("Section 14"). The majority of the Company's employees are included under this section and are entitled only to monthly deposits made in the employee's name with insurance companies at a rate of 8.33% of an employee's monthly salary. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The funds deposited are made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are accounted for as defined contribution benefits and accordingly are not reflected in the balance sheet, as the severance pay risks have been irrevocably transferred to the severance funds.

(2) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Company expects the benefits to be wholly settled.

(3) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(4) Share based compensation

The grant date fair value of share-based compensation awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based compensation awards that are conditional upon meeting service and non-market performance conditions, is adjusted to reflect the number of awards that are expected to vest. In respect of other service providers, where the fair value of the goods or services received as consideration of equity instruments cannot be measured reliably, they are measured by reference to the fair value of the equity instruments granted.

I. Government grants

Government grants are recognized when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

Grants received from the Chief Scientist in Israel are recognized as a liability on the date of their receipt if there is reasonable assurance that the research activity will lead to sales entitling the State to royalties.

The liability in respect of the loan is initially recognized at fair value and discounted according to the market rate.

The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and is offset from the research and development expenses. Subsequent to initial recognition, the liability is measured at amortized cost using the effective interest method. Amounts paid as royalties are recognized as settlement of the liability. When economic benefits are not expected from the research activity, the grants received are recognized as a deduction from the corresponding research and development expenses. In such a case the liability for the payment of royalties is accounted for as a contingent liability in accordance with IAS 37.

Each reporting date the company examines whether there is reasonable assurance that the liability that was recognized, all or part, will not be settled (since the Company will not be required to pay royalties)

based on the best estimate of future sales using the original effective interest rate, and if there is reasonable assurance the appropriate liability is derecognized against a decrease in research and development expenses. Amounts paid as royalties are recognized as settlement of the liability.

Financing income and expenses

Financing expense includes bank charges, changes in foreign currency losses change in fair value of derivatives and interest expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses, depending on whether foreign currency movements are in a net gain or net loss position.

Segment reporting

The Company does not present segment information as the Company currently operates in a single segment.

New standards and interpretations not yet adopted

(1) IFRS 15, *Revenue from Contracts with Customers* (hereinafter - "IFRS 15")

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a comprehensive framework for determining whether revenue should be recognized and when and at what amount.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Company has examined the effects of applying IFRS 15, and in its opinion the effect on the financial statements will be immaterial.

(2) IFRS 9 (2014), *Financial Instruments (hereinafter - “IFRS 9 (2014)”*)

IFRS 9 (2014) replaces the current guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new ‘expected credit loss’ model for calculating impairment for most financial assets, and new guidance and requirements with respect to hedge accounting. IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted. The Company has examined the effects of applying IFRS 9 (2014), and in its opinion the effect on the financial statements will be immaterial.

(3) IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases* and its related interpretations. For lessees, the standard presents a unified model for the accounting treatment of most leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements. IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15, *Revenue from Contracts with Customers*.

The Company has examined the effects of applying IFRS 17, and in its opinion the effect on the financial statements will be immaterial.

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$
Cash and cash equivalents	88,010	5,901,518
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		88,010
Audited balance of Parazero		69,151
<i>Subsequent events:</i>		
Receipt of funds by ParaZero post year end transferred pre year end by Diverse Security Needs		700,000
Receipt of \$612,000 post 31 December for Convertible notes in Diverse Security Needs		612,000
Receipt of US\$100,000 post 31 December for Convertible notes in Parazero		128,057
		1,440,057
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued under this Prospectus		5,000,000
Proceeds from shares issued under the Cleansing offer		200
Payment for consultancy services		(100,000)
Capital raising costs		(595,900)
		4,304,300
Pro-forma Balance		5,901,518

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 3. LOAN RECEIVABLE	\$	\$
Loan Receivable	700,000	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		700,000
Audited balance of Parazero		-
<i>Subsequent events:</i>		
<i>Elimination of intercompany loan</i>		(700,000)
		(700,000)
Pro-forma Balance		-

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 4. CONVERTIBLE NOTES	\$	\$
Convertible notes	788,000	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		788,000
Audited balance of Parazero		-
<i>Subsequent events:</i>		
<i>Receipt of \$612,000 post 31 December for Convertible notes in Diverse Security Needs</i>		612,000
		612,000
<i>Pro-forma adjustments:</i>		
Conversion of Convertible notes to shares		(1,400,000)
		(1,400,000)
Pro-forma Balance		-

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 5. CONVERTIBLE LOANS	\$	\$
Convertible Loans	-	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		-
Audited balance of Parazero		3,793,059
<i>Subsequent events:</i>		
Receipt of US\$100,000 post 31 December for Convertible notes in Parazero		128,057
		128,057
<i>Pro-forma adjustments:</i>		
Conversion of Convertible loans to shares		(3,921,116)
		(3,921,116)
Pro-forma Balance		-

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 6. CONTRIBUTED EQUITY	\$	\$
Contributed equity	100	9,613,467
	Number of shares	\$
<i>Audited balance of Diverse Security Needs as at 31 December</i>	10,000,000	100
Audited balance of Parazero as at 31 December	-	-
Capital reduction post year end	(7,500,000)	-
<i>Pro-forma adjustments:</i>		
Issue of shares to Parazero Shareholders & conversion of Convertible Loans	51,580,391	3,921,116
Acquisition adjustment	-	(100)
Conversion of Convertible notes	8,750,000	1,400,000
Proceeds from shares issued under this Prospectus	25,000,000	5,000,000
Proceeds from shares issued under the Cleansing offer	1,000	200
Issue of options to lead manager - capital raising fees		(368,000)
Capital raising costs	-	(339,849)
	87,831,391	9,613,467
Pro-forma Balance	87,831,391	9,613,467

	Audited 31-Dec-17	Pro-forma after Offer
	\$	\$
NOTE 7. RESERVES		
Reserves	-	6,901,322
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		-
Audited balance of Parazero		1,968,242
<i>Pro-forma adjustments:</i>		
<i>Aquisition adjustment - Share Capital</i>		100
<i>Acquisition adjustment - Accumulated losses</i>		(20)
<i>Issue of Performance options</i>		4,565,000
Issue of options to lead manager		368,000
		<u>4,933,080</u>
Pro-forma Balance		<u>6,901,322</u>

Using the Black Scholes option pricing model, the fair value of the Options to be issued to the lead manager has been calculated. The following inputs were used:

	Lead Manager Options
Number of Options	4,000,000
Exercise price	\$ 0.30
Expected volatility	85%
Implied option life	3.00
Expected dividend yield	nil
Risk free rate	2.11%
Value per option	\$ 0.092

Performance Options are to be issued to management as part of an incentive scheme. The Performance Options will be granted in three tranches exercisable at A\$0.20 on or before the date that is five years after the date of issue of those Performance Options. Subject to the exceptions outlined below, the Performance Options will only be exercisable after the satisfaction of the following vesting milestones, each calculated for a given year:

- (i) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of USD\$1,500,000 from total sales of products based on the Technology in a Year (Class A Performance Options); and
- (ii) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US\$4,000,000 from total sale of products based on the Technology in a Year OR if the 14 trading day volume weighted average price of the Company stock has increased in value by more than 300% from the IPO price (Class B Performance Options).
- (iii) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of

US\$8,000,000 from total sale of products based on the Technology in a Year OR if the 14 trading day volume weighted average price of the Company stock has increased in value by more than 500% from the IPO price (Class C Performance Options).

Refer Section 12.3 of the Prospectus for full terms the Performance Options.

We consider the Class A and Class C tranches of Performance Options to have non-market based vesting conditions. For this reason, management has discretion to expense the value the Performance Options over an estimated vesting period. As the Pro forma Historical Consolidated Statement of Financial Position has been prepared at completion of the Offer and the Performance Options have not been issued as yet, no expense has been recorded. However, we have calculated the fair value of the Performance Options as if they vested at the date of this Report using the Black Scholes option pricing model, we have valued the Class C tranche using a Binomial Barrier up and in model and the following inputs:

Performance Options	Class A	Class B	Class C
Number of Performance Options	18,333,333	18,333,333	18,333,333
Exercise price	\$ 0.20	\$ 0.20	\$ 0.20
Barrier	\$ -	\$ 0.80	\$ 1.20
Expected volatility	85%	85%	85%
Implied option life	5.00	5.00	5.00
Expected dividend yield	nil	nil	nil
Risk free rate	2.14%	2.14%	2.14%
Value per Performance Option	\$ 0.136	\$ 0.129	\$ 0.120

As Class B incorporates a market based vesting condition an expense is recognised immediately.

	Audited 31-Dec-17	Pro-forma after Offer
NOTE 8. ACCUMULATED LOSSES	\$	\$
Accumulated losses	(20)	(11,583,876)
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of Diverse Security Needs		(20)
Audited balance of ParaZero		(6,662,825)
<i>Pro-forma adjustments:</i>		
Acquisition adjustment		20
Listing expenses		(256,051)
Payment for consultancy services		(100,000)
Issue of Performance Options		(4,565,000)
		(4,921,031)
Pro-forma Balance		(11,583,876)

NOTE 9: ACQUISITION ACCOUNTING

Under the Share Sale Agreement, the Company acquires all the shares in Parazero for the issue of 51,580,391 Shares to the Parazero shareholders, equating to a controlling interest in the combined entity. The acquisition of Parazero by the Company is not to be deemed a business combination, as the Company is not considered to be a business under AASB 3 *Business Combinations*.

As such the consolidation of these two companies is on the basis of the continuation of Parazero with no fair value adjustments, whereby Parazero is deemed to be the accounting parent. Therefore, the pre-acquisition equity balances of the Company (totalling A\$100 of contributed equity and A\$20 of accumulated losses) are eliminated against the reserves on consolidation.

We note the Replacement Options provide the Parazero option holders with the same terms as the original options and accordingly do not consider this to be a modification to the share based payment. Further the Parazero option holders retain the right to the same proportion of the fully diluted capital pre IPO accordingly no further expense is recognised for the issue of the Replacement Options.

NOTE 10: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

10. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

10.1 Directors and key personnel

Detailed biographies of the Directors, Proposed Directors and key employees are contained in Section 6.13 and 6.14 of this Prospectus.

10.2 ASX Corporate Governance Council Principles and Recommendations

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.parazero.com).

Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

10.3 Departures from Recommendations

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's departures from the Recommendations will also be announced prior to admission to the official list of the ASX.

11. MATERIAL CONTRACTS

11.1 Acquisition Agreement

On or about 28 March 2018 the Company, Parazero Israel and the shareholders of Parazero Israel (**Parties**) entered into a share sale agreement (**Previous Agreement**). Subsequent to that date Parties entered into the Varied and Restated Share Sale Agreement which rendered the previous share sale agreement null and void (**Agreement**). The Share Sale Agreement reduced the consideration payable to the shareholders of Parazero Israel and made other associated changes.

Pursuant to the Agreement, the Company agreed to acquire 100% of the issued shares in Parazero Israel from the shareholders. The Agreement is conditional upon a number of the conditions, the following of which remain outstanding as at the date of this Prospectus:

- (a) the Company lodging this Prospectus with ASIC and receiving valid applications together with cleared funds under the Prospectus to the value of not less than \$5,000,000 to support the application for listing on ASX;
- (b) the Company receiving a letter from ASX confirming that ASX will grant conditional approval to the listing of the Company on ASX, on terms acceptable to the Company (acting reasonably);
- (c) all third party consents being obtained by each party;
- (d) there being no material adverse change (as defined in the Agreement) to either the Company or Parazero Israel prior to completion;
- (e) none of the warranties becoming untrue, incorrect or misleading in a material manner;
- (f) Parazero Israel obtaining a Tax Ruling (as defined in the Agreement) in a form satisfactory to the shareholders of Parazero Israel;
- (g) no action having been taken, or any statute, rule, regulation or order having been enacted or deemed applicable to the transactions contemplated in the Agreement, and no temporary or permanent restraining order having been issued by any government agency that would materially restrain or prohibit the transaction;
- (h) each party having performed all obligations and agreements and having complied with all covenants and conditions in all material respects
- (i) Parazero Israel obtaining an approval of the Israeli Innovation Authority (**IIA**) to the Agreement; and
- (j) Parazero Israel delivering to the Company a notice to the IIA (in the form prescribed by Schedule 4 of the Agreement) with respect to the Agreement.

Of the outstanding conditions precedent, the Company has no reason to believe that any of the conditions precedent are not capable of being satisfied in order to complete the Acquisition.

In consideration for all the shares in Parazero Israel, the Company will issue the shareholders 51,580,391 Shares in the Company to be distributed pro rata between the holders of fully paid ordinary shares and preferred shares in Parazero Israel and for the repayment of certain loans on issue in Parazero Israel.

The Company has also agreed to issue 55,000,000 Performance Options on the terms summarised in Section 11.3 below and 8,419,609 Replacement Options to holders of options issued under Parazero's own employee option scheme issued prior to the Acquisition Agreement being entered into.

The total number of Shares and Replacement Options to be issued totals 65,000,000 Shares (assuming all Replacement Options are exercised and the relevant vesting conditions are met).

The Agreement also provides that the Board of the Company will comprise the Board outlined in this Prospectus with Mr Uvarov and Ms Law together with the two Proposed Directors.

Various warranties relating to Parazero Israel, its business and assets are contained in the Agreement.

The maximum liability of each of the Company and Parazero Israel under the Agreement is \$500,000 (except for breaches caused by fraud or dishonesty or wilful concealment of the relevant party). The maximum liability for the breach of any warranty given by a shareholder of Parazero Israel is the cancellation of their Shares received in the Company to the value of that breach.

The Agreement, entered into after due diligence was completed on Parazero Israel, also contains detailed warranties about Parazero Israel from Parazero Israel and otherwise contains terms considered standard for an Agreement of this nature, including confidentiality, confirmation of continuation of operations and detailed obligations of the parties to be undertaken at completion to affect completion.

11.2 Converting Loan Agreements

The Company has entered into a series of convertible loan agreements to raise \$1,400,000 for the purpose of funding the Company and providing a loan to Parazero Israel.

Under the terms of those loans, each loan is convertible into Shares in the Company, to be issued on the successful completion of the Offer and the receipt of approval from ASX for the listing of the Company on ASX at \$0.16 per Share.

No interest is payable on the loans and they are unsecured. They otherwise contain terms standard for converting loans including in relation to covenants and confidentiality.

11.3 Lead Manager Agreements

11.3.1 Merchant Corporate Advisory Pty Ltd

On 23 April 2018, the Company entered into a mandate to engage Merchant Corporate Advisory Pty Ltd (AFS Rep No. 001252806) (**Merchant**) as a lead manager of the Offer to assist with the structuring, preparation of marketing materials and assistance with the Offer process. In return for these services, Merchant will receive the following fees:

- (a) a administration and management fee of 1% of all funds raised under the Offer;
- (b) a selling fee of 5% (plus GST) on all funds placed by Merchant; and
- (c) the issue of up to 2,000,000 Options exercisable at \$0.30 on or before the date that is three years from the date of issue (the two lead managers will share 2,000,000 Options between them based on the amount raised by each lead manager).

Merchant shall also have a right of first refusal over any additional capital raising undertaken by the Company within 12 months from the date of the listing.

The mandate is above to be terminated on seven days' notice and is otherwise on terms consistent with mandates of this nature.

11.3.2 ACNS Capital Markets Pty Ltd

On 24 April 2018, the Company entered into a revised engagement with ACNS Capital Markets Pty Ltd (AFSL 279099), trading as Alto Capital (**Alto**) to act as a lead manager of the Offer and to act as the corporate advisor to the Company on an ongoing basis.

Under the mandate, Alto is due the following fees:

- (a) 5% fee on the funds raised by the Lead Manager under the Offer;
- (b) the issue of up to 2,000,000 Options exercisable at \$0.30 on or before the date that is three years from the date of issue (the two lead managers will share 2,000,000 Options between them based on the amount raised by each lead manager).; and
- (c) 443,750 Shares in the Company, which Shares have already been issued prior to the date of this Prospectus.

The mandate is able to be terminated on 30 days' notice and is otherwise on terms consistent with mandates of this nature.

12. ADDITIONAL INFORMATION

12.1 Litigation

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

12.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the

proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being

wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

12.3 Performance Options

The terms and conditions of the Performance Options to be issued as part of the Acquisition are as follows:

- (a) Exercisable at \$0.20 (**Exercise Price**) on or before the date that is five years (**Expiry Date**) after the date of issue of those Performance Options. Subject to the exceptions outlined below, the Performance Options will only be exercisable after the satisfaction of the following vesting milestones, each calculated for a given Year (As defined below):
- (i) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US\$1,500,000 from total sales of products based on the Technology in a Year (**Class A Performance Options**); and
 - (ii) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US\$4,000,000 from total sale of products based on the Technology in a Year OR if the 14 trading day volume weighted average price of the Company stock has increased in value by more than 300% from the IPO price (**Class B Performance Options**).
 - (iii) one third of the Performance Options will vest and become exercisable upon the Company achieving aggregate revenue of US\$8,000,000 from total sale of products based on the Technology in a Year OR if the 14 trading day volume weighted average price of the Company stock has increased in value by more than 500% from the IPO price (**Class C Performance Options**);
- (b) The term "**Year**" shall mean one of: (a) the time period commencing 1 July 2018 and ending on the 12 months anniversary of the listing of completion of the relisting or IPO; (b) The 12 month period immediately after the end of the first Year; and (c) The 12 month period immediately after the end of the second Year.
- (c) Each Performance Option entitles the holder to one fully paid ordinary share upon exercise.
- (d) It is hereby clarified that each of the milestones set forth above stands alone (but each is aggregated into the next), and upon completion of each milestone (in whatever order) the options shall become vested

and each of the option holders shall be entitled to exercise their respective portion of the Performance Options.

- (e) In the event that the engagement of an option holder with the Company is terminated for "**Cause**" (as defined within the ESOP), all unvested options held by such holder shall lapse. Such Performance Options will only become exercisable on satisfaction of the applicable milestones as set out above.
- (f) Upon an M&A Event (as defined within the ESOP), the Performance Options of each option holder shall become fully vested and exercisable into ordinary shares at their election even if the milestones were not yet met.

12.4 Terms and conditions of Replacement Options

The Replacement Options will be issued on the terms and conditions of the ESOP and will be subject to the terms and conditions set out in the ESOP (summarised in Section 12.6 below. All Replacement Options are being issued to existing employees of Parazero Israel, located in Israel. The key terms of the Replacement Options will be as follows:

- (a) Expiry Date: five (5) years from the date of issue of the Replacement Options; and
- (b) Exercise price: subject to ASX grant of a waiver from ASX Listing Rule 1.1, condition 12, \$0.0027 per Share.

12.5 Terms and conditions of Options and Broker Options

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is three (3) years after the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are not transferable without the prior written consent of the Board.

12.6 **Employee Share Option Plan**

The Company has adopted an employee share option plan (**ESOP**). The key terms of the ESOP are set out below:

- (a) The ESOP is intended to provide an incentive to retain, in the employment or service or directorship of the Company persons of training, experience and provide the ability to attract new employees, directors or consultants whose services are considered valuable.
- (b) The Board or a committee appointed by the Board will administer the ESOP.
- (c) The persons eligible to participate in the ESOP include any employees, directors and consultants of the Company or any subsidiary of the Company.
- (d) The Company may apply to appoint a trustee to hold Options issued under the ESOP.
- (e) Sufficient Options must be reserved under the ESOP to enable the issue of the Performance Options and the Replacement Options.
- (f) The Company will comply with laws relevant in the jurisdiction in which a recipient lives, including initially appointing a trustee to hold the Options under the ESOP for the recipients in Israel.
- (g) The exercise price of the Options shall be determined by the Board.
- (h) Options issued under the ESOP may be subject to adjustments where:
 - (i) the Company is separated, reorganised, merged, acquired or consolidated with or into another corporation, the Board may determine that any vesting conditions that have not yet been satisfied shall be accelerated so that any unvested options become immediately vested;
 - (ii) a share dividend, share split, combination or exchange of shares, recapitalisation or any other like event, the options issued under the ESOP shall be likewise adjusted;
 - (iii) if all or a substantial portion of the Shares in the Company are sold under a merger or reorganisation, then the options under the ESOP on issue will be accelerated to enable the holders to participate in the merger.

- (i) Upon the termination of any holder's employment with the Company, any unvested options will immediately expire.
- (j) Unless otherwise prescribed by the Board, upon the termination of a holder's employment with the Company, any vested options remain on issue in accordance with their terms, unless the employment is terminated by the Company for cause, or the termination is as a result of death or disability (in which case the options must be exercised within 12 months from the effective date of termination).
- (k) Options issued under the ESOP are generally not transferable.
- (l) The ESOP shall remain effective for the period of 10 years from the date of its adoption.
- (m) The Board of the Company may alter or amend the ESOP at any time, except that no amendment shall be made which would impair the rights of the holder of any options already granted.
- (n) The ESOP remains subject to the laws in any jurisdiction in which the Company operates and any rules imposed by ASX.

12.7 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

12.8 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or

- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and the Auditor and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of \$9,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance (WA) Pty Ltd has not received any fees from the Company for any other services.

BDO Audit (WA) Pty Ltd has acted as auditor of the accounts contained in the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay BDO Audit (WA) Pty Ltd a total of \$5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Audit (WA) Pty Ltd has not received any fees from the Company for any other services.

FB Rice has been engaged to prepare the Patent Report in Section 8 of this Prospectus. The Company estimates it will pay FB Rice a total of \$insert (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, FB Rice has not received any fees from the Company for any other services.

ACNS Capital Markets Pty Ltd (AFSL 279099), trading as Alto Capital is acting as joint lead manager and corporate advisor to the Company in relation to the Offer. Details of the fees payable to Alto Capital are set out in Section 11.3 above. During the 24 months preceding lodgement of this Prospectus with the ASIC, Alto Capital has not received or is entitled to receive any fees in relation to the Company.

Merchant Corporate Advisory Pty Ltd (AFS Rep No. 001252806) is acting as joint lead manager to the Company in relation to the Offer. Details of the fees payable to Merchant Corporate Advisory Pty Ltd are set out in Section 11.3 above. During the 24 months preceding lodgement of this Prospectus with the

ASIC, Merchant Corporate Advisory Pty Ltd has not received or is entitled to receive any fees in relation to the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$90,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of approximately \$5,000 from the Company for legal services provided to the Company.

12.9 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as Auditor in this Prospectus and to the inclusion of the audited accounts in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Somekh Chaikin (KPMG) has given its written consent to being named in the Investigating Accountant's Report as the auditor of the Parazero Israel accounts and to the inclusion of those audited accounts in the Investigating Accountant's Report in the form and context in which the information and report is included. KPMG Somekh Chaikin (KPMG) has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

FB Rice has given its written consent to being named in this Prospectus and to the inclusion of the Patent Report in Section 8 of this Prospectus in the form and context in which the information and report is included. FB Rice has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

ACNS Capital Markets Pty Ltd, trading as Alto Capital, has given its written consent to being named as joint lead manager and corporate advisor to the Company in this Prospectus. Alto Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Merchant Corporate Advisory Pty Ltd has given its written consent to being named as joint lead manager to the Company in this Prospectus. Merchant Corporate Advisory Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Automic Registry Services has given its written consent to being named as the share registry to the Company in this Prospectus. Automic Registry Services has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

12.10 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$595,900 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$)
ASIC fees	2,400
ASX fees	85,000
Broker Commissions	300,000
Legal Fees – Australia	90,000
Due diligence and audit expenses – Israel	95,000
Patent Attorney fees	4,000
Investigating Accountant's and audit fees	17,000
Miscellaneous	2,500
TOTAL	595,900

12.11 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a “disclosing entity” (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

12.12 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.parazero.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.13 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

12.14 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

12.15 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

13. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Anton Uvarov
Director
For and on behalf of
Diverse Security Needs Limited

14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Acquisition means the acquisition of 100% of the shares in Parazero Israel by the Company.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company means Diverse Security Needs Limited, to be renamed Parazero Limited (ACN 618 678 701).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Parazero Israel means Parazero Ltd, a company incorporated in Israel, company number 51-493282-1.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Lead Manager and Corporate Advisor means ACNS Capital Markets Pty Ltd (AFSL 279099), trading as Alto Capital.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 5 of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Performance Options means the performance options to be issued under the Acquisition Agreement, the terms and conditions of which are set out in Section 12.3.

Prospectus means this prospectus.

Replacement Options means options to be issued to holders of existing options in Parazero Israel under its own employee option scheme, the terms and conditions of which are set out in Section insert above.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

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

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

This is an Application Form for Ordinary Fully Paid Shares ('Shares') in Diverse Security Needs Limited (To be renamed Parazero Limited) (ACN 618 678 701) ('Company'), made under the terms set out in the Replacement Prospectus (**Prospectus**) dated 30 April 2018.

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus, and any supplementary prospectus (if applicable).

- Shares applied for** - Enter the number of Shares you wish to apply. Your application must be for a minimum of 10,000 Shares (A\$2,000). Applications for greater than 10,000 shares must be in multiples of 2,500 Shares (A\$500). Enter the amount of the Application Monies. To calculate this amount, multiply the number of Shares applied for by the offer price which is A\$0.20.
- Applicant name(s) and postal address** - Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Enter your postal address for all correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released.
- Contact Details** – Enter a contact telephone number and email address. By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).
- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

PAYMENT INSTRUCTIONS

Unless received from their broker, Applicants under the Offer must lodge their Application Form and Application Monies with the Lead manager by 5.00pm (WST) on the Closing Date.

All cheques should be made payable to "Diverse Security Needs Limited – Share Offer Account" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Do not forward cash as receipts will not be issued.

LODGEMENT INSTRUCTIONS

There is no maximum value of Shares that may be applied for under the Offer. The Company may determine a person to be eligible to participate in the Offer.

The Offer opens at 9.00am (WST) on 30 April 2018 and is expected to close at 5.00pm (WST) on 18 May 2018. The Company may elect to extend the Offer or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

Completed Application Forms and cheques must be:

Posted to:

Diverse Security Needs Limited
c/- Alto Capital
PO Box 248
WEST PERTH WA 6872

Delivered To:

Diverse Security Needs Limited
c/- Alto Capital
Ground Floor
16 Ord Street
West Perth, Western Australia

Enquiries in respect of this Share Application Form should be addressed to Automic Registry Services on 1300 288 664 (if calling within Australia) or +61 2 9698 5414 (if calling from outside of Australia).

Share Application Forms must be received no later than 5.00pm (WST) 18 May 2018