



ETHERSTACK PLC

ARBN 156 640 532

A company registered in England and Wales

Company Number 7961056

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of 3 CDIs for every 1 Share or CDI held by those Shareholders registered at the Record Date at an issue price of \$0.10 per CDI to raise up to \$9,594,235 (based on the number of CDIs and Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The CDIs offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Incorporation

Country of Incorporation: United Kingdom and Wales

Registered company number: 7961056
ARBN 156 640 532

Directors

Peter Stephens (Non-Executive Chairman)
David Deacon (CEO, Executive Director)
Paul Barnes (Non-Executive Director)
Scott Minehane (Non-Executive Director)

Joint Company Secretaries

Paul Barnes and David Carter

ASX Code: ESK

Registered Offices

United Kingdom

1st Floor
30 – 31 Friar Street
Reading, Berks, RG1 1DX, United Kingdom

Website: www.etherstack.com

Email: info.eu@etherstack.com

Australia

First Floor
74-80 Abercrombie Street
Chippendale, NSW 2008

Website: www.etherstack.com

Email: info.au@etherstack.com

Share Registry

United Kingdom

Computershare Investor Services PLC*
The Pavilions
Bridgewater Road
Bristol BS99 6ZY, United Kingdom

Australia

Computershare Investor Services Pty Limited*
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Solicitors

Australia

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

United Kingdom

Fieldfisher LLP
Riverbank House
2 Swan Lane
London EC4R 3TT, United Kingdom

Nominee

DJ Carmichael Pty Limited
Level 14, Parmelia House
191 St Georges Terrace
PERTH WA 6000

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	6 April 2016
Lodgement of Prospectus & Appendix 3B with ASX	6 April 2016
Notice sent to Shareholders	8 April 2016
Ex date	11 April 2016
Rights start trading on a deferred settlement basis	11 April 2016
Record Date for determining Entitlements	12 April 2016
Prospectus sent out to Shareholders & Company announces this has been completed	15 April 2016
Rights stop trading	19 April 2016
Last day to extend Offer Closing Date	21 April 2016
Closing Date (5:00 pm AEDT)*	27 April 2016
ASX notified of under subscriptions	2 May 2016
Issue date/Shares entered into Shareholders' security holdings	4 May 2016
Quotation of Shares issued under the Offer*	5 May 2016

*The Directors may extend the Closing Date by giving at least 3 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 6 April 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this 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 investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

3.2 Emphasis of matter – Going concern

The 2015 financial statements released to the market on 31 March 2016 include an 'emphasis of matter – going concern' note. Based on the number of inherent uncertainties relating to the Company's future activities, including uncertainty as to the ability to raise equity capital in the current market, there is material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Notwithstanding the inclusion of an 'emphasis of matter – going concern' note in the Company's 2015 financial statements, the Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern. However, in the event that the Offer is not completed successfully or is delayed, there is significant uncertainty as to whether the Company can meet its commitments to its creditors and continue as a going

concern, which is likely to have a material adverse effect on the Company's activities.

3.3 Important information for United Kingdom residents

Without limiting the statements above, the Securities will be offered in the United Kingdom in reliance on exemptions to the **FSMA** and the **Financial Promotion Order**.

The Offer and the Shortfall Offer are being made to or directed at fewer than 150 persons, other than qualified investors, in the United Kingdom which means that this Prospectus does not contain an offer, or constitute any part of an offer, to the public within the meaning of sections 85 and 102(B) of the FSMA or otherwise. This Prospectus is not therefore an 'approved prospectus' for the purposes of section 85(7) of the FSMA. Accordingly this Prospectus has not been (and will not be) delivered to, or registered, approved or examined by, the FCA in accordance with its Prospectus Rules or delivered to any other authority which could be a competent authority for the purpose of the Prospectus Directive. Furthermore, the contents of this Prospectus have not been examined or approved by London Stock Exchange plc. This Prospectus may not therefore contain all of the information that a disclosure document or prospectus is required to contain under the laws of any part of the United Kingdom.

The Offer and the Shortfall Offer are only being made in the United Kingdom to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Promotion Order. Any investment to which this document relates is available to only those persons described above and persons who do not fall into that category should not rely on this document nor take any action in relation to it.

The Offer and the Shortfall Offer may involve a foreign currency exchange risk as the currency for the Securities is not British Pounds.

3.4 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 our 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 4 of this Prospectus.

3.5 CHESS and CDIs

Investors should note that as the Company is registered in England and Wales, they will be issued with CDIs rather than Shares upon the acceptance of the Offer and/or Shortfall Offer under this Prospectus.

The Company participates in the Clearing House Electronic Subregister System (**CHESS**), which is the ASX electronic transfer and settlement system in Australia. Settlement of trading of quoted securities on the ASX market takes place on CHESS. CHESS allows for and requires the settlement of transactions in securities quoted on ASX to be effected electronically. No share or security certificates are issued in respect of shareholdings or security holdings that are quoted on ASX and settled on CHESS, nor is it a requirement for transfer forms to be executed in relation to transfers that occur on CHESS.

CDIs will be used by the Company to hold and transfer title to the Shares issued upon the acceptance of the Offer and/or the Shortfall Offer to be issued pursuant to this Prospectus. CDIs are electronic depository receipts issued and are units of beneficial ownership in securities registered in the name of CHESS Depository Nominees Pty Ltd (**CDN**). CDN is a wholly-owned subsidiary of ASX. The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title is held by CDN. The CDIs to be issued upon the acceptance of the Offer and/or the Shortfall Offer to be issued pursuant to this Prospectus will be registered in the name of CDN for the benefit of CDI holders.

CDI holders have the same economic benefits of holding the underlying Shares. Holders of CDIs are able to transfer and settle transactions electronically on ASX.

Holders of CDIs are entitled to all dividends, rights and other entitlements as if they were legal owners of Shares, and are entitled to receive notices of general meetings of Shareholders. As holders of CDIs are not the legal owners of the underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI holders. Alternatively, if a holder of a CDI wishes to attend and vote at shareholder meetings, the holder may instruct CDN to appoint the holder (or a person nominated by the holder) as CDN's proxy in respect of the underlying Shares beneficially owned by such holder for the purposes of attending and voting at a shareholder meetings of the Company. Holders of CDIs are entitled to one vote for every underlying Share held by CDN.

Investors should also note that the provisions of the Corporations Act dealing with the notification of substantial holdings and takeovers do not apply to the Company.

4. DETAILS OF THE OFFER

4.1 The Offer

The purpose of the Offer is to strengthen the balance sheet net asset position and to provide additional working capital for the Company together with funding to repay debt and convertible notes.

The Offer is being made as a renounceable entitlement issue of 3 CDIs for every 1 Share or CDI held by Shareholders registered at the Record Date at an issue price of \$0.10 per CDI. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted and no existing Options are exercised prior to the Record Date, a maximum of 95,942,352 CDIs will be issued pursuant to this Offer to raise up to \$9,594,235.

As at the date of this Prospectus the Company has 1,749,250 Options on issue, 1,574,250 of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the CDIs offered under this Prospectus will rank equally with the Shares and CDIs on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares/CDIs.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 What Eligible Shareholders may do

The number of CDIs to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to Section 4.3);
- (b) sell all of their Entitlement on ASX (refer to Section 4.4);
- (c) take up a proportion of their Entitlement and sell the balance on ASX (refer to Section 4.5);
- (d) take up a proportion of their Entitlement and allow the balance to lapse (refer to Section 4.6);
- (e) sell all or a proportion of their Entitlement other than on ASX (refer to Section 4.7); or
- (f) allow all or part of their Entitlement lapse (refer to Section 4.8).

4.3 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for CDIs under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the

Entitlement and Acceptance Form. Please read the instructions on the Entitlement and Acceptance Form carefully.

4.4 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for CDIs under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 11 April 2016 and will cease on 19 April 2016.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.5 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of CDIs you wish to take up and follow the steps in Section 4.3 or make a payment by BPAY® in accordance with Section 4.11.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.6 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of CDIs you wish to take up and follow the steps in Section 4.3. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.7 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares or CDIs, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a Shareholder on the issuer sponsored sub-register and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the CDIs they wish to subscribe for payable to "**Etherstack PLC**" and crossed "**Not Negotiable**" to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date) at the following address:

By Post Computershare Investor Services Pty Limited
 GPO Box 505 Melbourne VIC 3001 Australia

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or

all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for CDIs the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with Section 4.3.

4.8 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.9 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

4.10 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **"Etherstack PLC"** and crossed **"Not Negotiable"**.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's Australian Share Registry no later than 5:00 pm AEDT on the Closing Date.

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Victoria 3001

4.11 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 2:00pm (AEDT) on the Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.12 Potential dilution to Shareholders

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 75% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	31.27%	30,000,000	10,000,000	7.82%
Shareholder 2	5,000,000	15.63%	15,000,000	5,000,000	3.91%
Shareholder 3	1,500,000	4.69%	4,500,000	1,500,000	1.17%
Shareholder 4	400,000	1.25%	1,200,000	400,000	0.31%
Shareholder 5	100,000	0.31%	300,000	100,000	0.08%
Total	31,980,784		95,942,352		127,923,136

Notes:

- The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted by Eligible Shareholders are placed under the Shortfall Offer.

4.13 Settlement and Offset Deeds

The Company has entered into deeds of settlement and offset in relation to debts owed to related parties, as set out below.

(a) **Mr Paul Barnes**

Mr Paul Barnes, a related party of the Company by virtue of being a Director, is currently owed funds by the Company in relation to loan arrangements, convertible notes issued and accrued director fees and expenses.

As at 14 March 2016, the total amount owing to Mr Paul Barnes by the Company equates to \$695,188 (**Barnes Indebtedness**).

By a deed dated 14 March 2016 (**Barnes Offset Deed**), the Company and Mr Barnes have agreed that the outstanding Barnes Indebtedness shall be applied towards Mr Barnes' entitlement under the Offer of up to 5,137,500 CDIs, being to the value of up to \$513,750 (**Barnes Subscription Amount**).

Any remaining balance outstanding after the Barnes Indebtedness has been applied towards the Barnes Subscription Amount shall be repaid

by the Company to Mr Barnes, by, at the election of the Company, either:

- (i) in cash on completion of the Offer (or on a date otherwise agreed by the parties) (**Barnes Final Repayment Date**); or
- (ii) may be applied for the purchase of additional CDIs in the Shortfall Offer.

At the general meeting of the Company held on 3 March 2016, the Company obtained shareholder approval for Mr Barnes to participate in the Shortfall Offer for a subscription of up to 5,000,000 Shares.

In the event that Mr Barnes subscribes for his full entitlement and additional 5,000,000 CDIs under the Shortfall Offer (and all CDIs are issued under the Offer), his relevant interest will increase to a maximum of 9.26%.

Upon repayment of the balance in full as set out above, any remaining debt arrangements in place between Mr Barnes and the Company shall be treated as extinguished and discharged in full and neither the Company nor Mr Barnes shall have any further liability or obligations owing to the other (existing, contingent or otherwise).

The balance shall include any adjustment for outstanding interest accrued due and owing as at the Barnes Final Repayment Date.

(b) **Mr Peter Stephens**

Mr Peter Stephens, a related party of the Company by virtue of being a Director, is currently owed funds by the Company in relation to loan arrangements, convertible notes issued and accrued director fees and expenses.

As at 14 March 2016, the total amount owing to Mr Peter Stephens by the Company equates to \$2,159,800 (**Stephens Indebtedness**).

By a deed dated 14 March 2016 (**Stephens Offset Deed**), the Company and Mr Stephens have agreed that the outstanding Stephens Indebtedness shall be applied in full towards Mr Stephens' entitlement under the Offer of up to 1,182,174 CDIs, being to the value of up to \$118,217.40 (**Stephens Subscription Amount**).

Any remaining balance outstanding after the Stephens Indebtedness has been applied towards the Stephens Subscription Amount shall be repaid by the Company to Mr Stephens, by, at the election of the Company, either:

- (i) in cash on completion of the Offer (or on a date otherwise agreed by the parties) (**Stephens Final Repayment Date**); or
- (ii) may be applied for the purchase of additional CDIs in the Shortfall Offer.

At the general meeting of the Company held on 3 March 2016, the Company obtained shareholder approval for Mr Stephens to participate in the Shortfall Offer for a subscription of up to 15,000,000 Shares.

In the event that Mr Stephens subscribes for his full entitlement and additional 15,000,000 CDIs under the Shortfall Offer (and all CDIs are issued under the Offer), his relevant interest will increase to a maximum of 12.96%.

Upon repayment of the balance in full as set out above, any remaining debt arrangements in place between Mr Stephens and the Company shall be treated as extinguished and discharged in full and neither the Company nor Mr Stephens shall have any further liability or obligations owing to the other (existing, contingent or otherwise).

The balance shall include any adjustment for outstanding interest accrued due and owing as at the Stephens Final Repayment Date.

(c) **Mr David Deacon**

Mr David Deacon, a related party of the Company by virtue of being a Director, is currently owed funds by the Company in relation to an existing loan arrangement, convertible notes issued to Mr David Deacon and accrued director fees and expenses.

IPC Pte Ltd (**IPC**), a related party of the Company by virtue of being an entity controlled by Mr David Deacon, is currently owed funds by the Company in relation to an existing loan arrangement.

As at 14 March 2016, the total amount owing to Mr David Deacon equates to \$2,399,275 (**Deacon Indebtedness**) and the total amount owing to IPC equates to \$799,542 (**IPC Indebtedness**).

By a deed dated 14 March 2016 (**Deacon Offset Deed**), the Company, IPC and Mr Deacon have agreed that the IPC Indebtedness outstanding between the Company and IPC shall be applied in full towards Mr Deacon's entitlement under the Offer of up to 30,000,000 CDIs, being to the value of up to \$3,000,000 (**Deacon Subscription Amount**). \$2,399,275 of the Deacon Indebtedness outstanding between the Company and Mr David Deacon shall be applied in full towards the Deacon Subscription Amount.

Any remaining balance outstanding after the IPC Indebtedness and \$2,399,275 of the Deacon Indebtedness has been applied towards the Deacon Subscription Amount shall be repaid by the Company to Mr David Deacon, by, at the election of Mr David Deacon, either:

- (i) in cash on completion of the Offer (or on a date otherwise agreed by the parties) (**Final Repayment Date**); or
- (ii) may be applied for the purchase of additional New CDIs in the Offer subject to compliance with the ASX listing rules and the Corporations Act.

In the event that Mr Deacon subscribes for his entitlement (and all CDIs are issued under the Offer) his relevant interest will not increase.

Upon repayment of the balance in full as set out above, any remaining debt arrangements in place between IPC, Mr Deacon and the Company shall be treated as extinguished and discharged in full and neither the Company nor IPC nor Mr Deacon shall have any further

liability or obligations owing to the other (existing, contingent or otherwise).

The balance shall include any adjustment for outstanding interest accrued due and owing as at the Final Repayment Date.

4.14 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each CDI to be issued under the Shortfall Offer shall be \$0.10 being the price at which CDIs have been offered under the Offer.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion subject to the Listing Rules and any restrictions under any applicable law. Accordingly, do not apply for Shortfall Shares unless instructed to do so by the Directors.

4.15 Nominee

DJ Carmichael Pty Limited (**Nominee**) has been appointed as the Company's nominee for foreign Shareholders for the purposes of ASX Listing Rule 7.7 for those foreign Shareholders who have been deemed ineligible to participate under the Offer. Please refer to section 4.18 for further details in relation to restrictions placed on the Company in making offers to overseas shareholders.

Pursuant to the arrangement with the Nominee, the Company will transfer to the Nominee the rights that would otherwise be issued to the foreign holders who either accept the Offer or are otherwise entitled to acquire such rights under the Offer and the Nominee will then sell those rights and distribute to either the Company or Share Registry for further distribution to each of those foreign holders their proportion of the proceeds of the sale net of expenses.

The Company has agreed to pay the Nominee a brokerage fee of \$5,000 plus 2.5% of the on-market sales of the ineligible entitlements (plus applicable GST), for acting as nominee for Ineligible Shareholders for the purposes of ASX Listing Rule 7.7.

4.16 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all Application Monies for the Securities within the time prescribed under the Corporations Act, without interest.

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

4.17 Issue

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of CDIs issued is less than the number applied for, or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

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.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.18 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of CDIs these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and CDIs will not be issued to Shareholders with a registered address which is outside Australia, New Zealand, the Netherlands, Japan or the United Kingdom.

However, pursuant to ASX Listing Rule 7.7, the Company has appointed a nominee, DJ Carmichael Pty Limited, to sell the Entitlements to which Ineligible Shareholders are entitled. The Nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of the nominee, there is no viable market for the Entitlements of the Ineligible Shareholders, or a surplus over the expenses of the sale cannot be obtained the Entitlements that would have been offered to the Ineligible Shareholders, then those Entitlements will be allowed to lapse.

Shareholders resident in Australia, New Zealand, the Netherlands, Japan or the United Kingdom holding Shares or CDIs on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Japan

The CDIs have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to a small number of investors. The document is for the exclusive use of existing shareholders of the Company in connection with the Offer. This document is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Japan or resident of Japan other than in connection with consideration by the Company's shareholders of the Offer.

Netherlands

The information in this document has been prepared on the basis that all offers of CDIs will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in the Netherlands, from the requirement to produce a prospectus for offers of securities.

An offer to the public of entitlements and CDIs has not been made, and may not be made, in Netherlands except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Netherlands:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Entitlements or CDIs shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

4.19 Enquiries

Any questions concerning the Offer should be directed to Paul Barnes or David Carter, the joint Company Secretaries of the Company, on +61 2 8399 7500 or via shareholderhelp@etherstack.com.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$9,594,235.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Expenses of the Offer ¹	84,300	0.90%
2.	Convertible Note repayment	3,110,110	32.40%
3.	Other debt reduction and repayment	4,573,430	47.70%
4.	Other working capital	1,826,505	19.00%
	Total	\$9,594,235	100%

Note 1: Refer to Section 9.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

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.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted, will be to:

- (a) increase the cash reserves by approximately \$1,826,505 (after deducting the estimated expenses of the Offer and debt repayment) immediately after completion of the Offer; and
- (b) increase the number of CDIs on issue from 31,980,784 as at the date of this Prospectus to 127,923,136 CDIs.

5.3 Pro-forma balance sheet

The audited balance sheet as at 31 December 2015 and the unaudited pro-forma balance sheet as at 31 December 2015 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not

include all of the disclosures required by International Financial Reporting Standards (IFRSs) applicable to annual financial statements.

	AUDITED 31 December 2015 USD \$000	PROFORMA 31 December 2015 USD \$000
Non-Current assets		
Intangible assets	6,287	6,287
Property, plant and equipment	73	73
Trade and other receivables	150	150
	6,510	6,510
Current Assets		
Inventories	482	482
Trade and other receivables	1,591	1,591
Cash and bank balances	51	1,360
	2,124	3,433
Total assets	8,634	9,943
Non-Current liabilities		
Trade and other payables	180	180
Deferred tax liability	128	128
	308	308
Current Liabilities		
Trade and other payables	10,151	4,551
Current tax liabilities	145	145
	10,296	4,696
Total Liabilities	10,604	5,004
Net (Liabilities)/Assets	(1,970)	4,938
Equity		
Share capital	205	774
Share premium account	2,282	8,621
Merger reserve	3,497	3,497
Share based payment reserve	413	413
Foreign currency translation reserve	(1,764)	(1,764)
Retained earnings	(6,603)	(6,603)

	AUDITED 31 December 2015 USD \$000	PROFORMA 31 December 2015 USD \$000
	(1,970)	4,938

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares

	Number
CDIs currently on issue	31,980,784
CDIs offered pursuant to the Offer	95,942,352
Total CDIs on issue after completion of the Offer	127,923,136

Options

	Number
Options currently on issue	1,749,250 ¹
Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	1,749,250

Notes:

- The Company has issued Options under various arrangements. At the date of this Prospectus the issued Option arrangements may be summarised as follows:

Number of Options Issued	Expiry Date	Exercise price
25,000	31 August 2016	GBP 0.24
129,250	31 August 2016	GBP 0.97
125,000	30 August 2016	GBP 0.8
380,000	25 June 2017	AUD \$1.16
1,090,000 ²	31 December 2018	AUD \$0.80

- Included above are 175,000 unvested Options exercisable at \$0.80 and expiring on 31 December 2018. These Options vest on 31 August 2016.

Convertible Notes

	Number
Convertible Notes currently on issue ¹	3,860,000
Convertible Notes offered pursuant to the Offer	Nil
Total Convertible Notes on issue after completion of the Offer	3,860,000

Notes:

1. The Company has issued Convertible Notes under various arrangements. The Company intends to use funds raised from the Offer to repay some of the Convertible Notes on issue, including Convertible Notes issued to David Deacon. Refer to sections 4.13(c) and 5.1 of this Prospectus for further details.
2. At the date of this Prospectus the issued Convertible Note arrangements may be summarised as follows:

Convertible Notes	
Tranche 1	
Principal amount	AUD 3,000,000
Conversion terms	Convertible into fully paid ordinary shares at A\$1.75 for each \$1 of nominal note held
Maturing	31 December 2015
Interest Rate	10% per annum payable quarterly in arrears
Tranche 2	
Fully matured	
Tranche 3 AUD	
Principal amount	AUD 360,000
Conversion terms	Convertible into fully paid ordinary shares for each AUD\$0.40 of nominal note held Convertible into 900,000 fully paid ordinary shares
Maturing	31 January 2016
Interest Rate	8% per annum payable quarterly in arrears
Tranche 3 GBP	
Principal amount	GBP 100,000
Conversion terms	Convertible into 450,000 fully paid ordinary shares
Maturing	31 January 2015 (then rolled for 1 year)
Interest Rate	8% per annum payable quarterly in arrears
Tranche 4	
Principal amount	AUD 320,000
Conversion terms	Convertible into fully paid ordinary shares for each AUD\$0.50 of nominal note held
Maturing	31 December 2016
Interest Rate	8% per annum

No Shares on issue are subject to escrow restrictions, either voluntary or ASX imposed.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 33,980,034 Shares and on completion of the Offer (assuming all Entitlements are accepted) would be 129,922,386 Shares.

5.5 Details of substantial holders

Based on publicly available information as at the date of the Prospectus, those persons which (together with their associates) have (or appear to have) a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
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David Deacon	18,241,850	57.04%
Giga Palace Limited	1,909,994	5.97%
Paul Barnes ¹	1,712,500	5.35%

Notes:

1. Shareholder approval has been obtained for Paul Barnes to participate in the Shortfall Offer and subscribe for up to 5,000,000 Shares. In the event that Mr Barnes subscribes for 5,000,000 CDIs (and all CDIs are issued under the Offer), his relevant interest will increase to a maximum of 9.26%.
2. Shareholder approval has been obtained for Peter Stephens to participate in the Shortfall Offer and subscribe for up to 15,000,000 Shares. In the event that Mr Stephens subscribes for 15,000,000 CDIs (and all CDIs are issued under the Offer), his relevant interest will increase to a maximum of 12.96%.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer, except as detailed in Notes 1 and 2 above.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES AND CDIS

The following is a summary of the more significant rights and liabilities attaching to Shares and CDIs being offered pursuant to this Prospectus. 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.

The Articles of Association of the Company were adopted by special resolution on 1 May 2012. The key rights and liabilities of the securities provisions of the Articles of Association are set out below. In this Section, Statutes means all Australian and UK statutes (and any regulations subordinate thereto) for the time being in force concerning companies and affecting the Company.

6.1 Summary of the Articles of Association as they relate to the rights and liabilities attaching to the Shares

(a) Voting rights

For Shareholders, on a vote on a resolution on a show of hands:

- (i) each member entitled to vote on the resolution who is present in person has one vote; and
- (ii) every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote.

On a vote on a resolution on a poll, every member has:

- (i) one vote in respect of each fully paid share held by him and in respect of which the member is entitled to vote; and
- (ii) a fraction of a vote for each partly paid share held by the member.

For so long as the Company is a listed company, the depository nominee must appoint two proxies, one of which must indicate the number of shares in favour of the resolution described in the proxy and the second must indicate the number of shares against the resolutions described in the proxy.

(b) Dividend Rights

Final dividends

The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors.

Interim and preferential dividends

The Directors may:

- (i) declare and/or pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates;
- (ii) provide for the payment of any dividends on any class of shares carrying rights to such dividend; and

- (iii) from time to time pay interim dividends on the shares of any class of such amounts

(c) **Transfer of Shares**

A member may transfer all or any of his Shares by an instrument of transfer in any usual form or in any other form approved by the Directors. The instrument of transfer of a Share shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee. A transferor shall remain the holder of the Share concerned until the name of the transferee is entered in the register as the holder of that Share.

(d) **Notification of Interests in Shares**

A person must notify the Company of the percentage of voting rights he holds as member (or holds or is deemed to hold through his direct or indirect holding of financial instruments including CDIs) if, as a result of an acquisition or disposal of Shares or financial instruments, the percentage of those voting rights reaches, exceeds or falls below 3% of the issued share capital of the Company and each 1% threshold above 3%.

(e) **Alterations to capital**

Subject to any resolution of the Company in general meeting, the Directors may allot, grant options over, or otherwise deal with or dispose of in any other way new Shares or rights to subscribe for or convert any security into Shares to such persons, at such times and on such terms as they think proper, but no security may be issued at a discount to par value.

6.2 **Rights of CDI Holders**

With the exception of voting arrangements, CDI holders have the same rights as holders whose securities are legally registered in their own name. The ASX Settlement Operating Rules require that all economic benefits, such as dividends, bonus issues, rights issues or similar corporate actions flow through to CDI holders as if they were the legal owners of the underlying securities.

The ASX Settlement Operating Rules require the Company to give notices to CDI holders of general meetings of Shareholders. The notice of meeting must include a form permitting the CDI holder to direct CDN to cast proxy votes in accordance with the CDI holder's written directions. CDI holders cannot vote personally at Shareholder meetings. The CDI holder must convert their CDIs into certificated Shares prior to the relevant meeting in order to vote at the meeting in person.

6.3 **Converting from a CDI to a Share**

CDI holders may at any time convert their holding of CDIs (tradeable on ASX) to certificated Shares:

- (a) For CDIs held through the issuer sponsored sub-register, contacting Computershare Investor Services Pty Limited in Australia directly to obtain the applicable request form. The removed holding would then be registered into the same address that appeared on the Australian CDI register; or

- (b) for CDIs held on the CHESS sub-register, contacting their controlling participant (generally a stockbroker), who will liaise with Computershare Investor Services Pty Limited in Australia to obtain and complete the request form.

Upon receipt of a request form, the relevant number of CDIs will be cancelled and Shares will be transferred from CDN into the name of the CDI holder and a registered share certificate be issued. This will cause your Shares to be registered on the certificated UK register of Shares and trading will no longer be possible on the ASX.

A holder of Shares may also convert their Shares to CDIs, by contacting the Company Secretary, Computershare Investor Services Pty Limited in Australia, or their stockbroker (or applicable controlling participant). In this case, the Shares will be certificated if held in uncertified form, transferred from the Shareholder's name into the name of CDN and a holding statement will be issued for the CDIs. The CDIs will be tradeable on ASX.

6.4 Applicable company law summary

As the Company is incorporated in England and Wales, it operates subject to English law and, in particular, it is not subject to certain aspects of Australian company law.

Set out below is a table summarising some of the key differences between Australian and English company laws as they apply to the Company, covering the following areas:

- (a) share capital;
- (b) pre-emptive rights;
- (c) auditors;
- (d) purchase of new securities;
- (e) takeovers;
- (f) payment for shares;
- (g) reduction in net assets; and
- (h) distribution of profits.

It is important to note that neither summary purports to be a complete review of all matters of English company law and taxation or highlight all provisions that may differ from equivalent provisions in Australia.

Table 1: Key differences between Australian and English company laws

Position in England and Wales	Position in Australia
Authority to allot Shares	
The Companies Act provides that the directors may not allot any new shares unless authorised to do so by a provision in the company's articles of association or by an ordinary	The ASX Listing Rules allow directors to allot unissued shares without shareholder approval up to a maximum number equivalent to 15% of the issued capital of the company

Position in England and Wales	Position in Australia
<p>resolution of the shareholders (being a majority of the company's shareholders voting at a general meeting). Such authority must be limited in duration for a maximum of five years.</p>	<p>prior to the allotment in any 12 month period, subject to certain exceptions.</p>
Pre-emption Rights	
<p>The Companies Act requires the offer of any issue of new shares to be made first to existing shareholders in proportion to their holdings, subject to the passing of a special resolution of the shareholders (being a majority of not less than 75% of the Company's shareholders voting at a general meeting) to disapply such pre-emption rights.</p> <p>Pre-emptive rights do not apply to allotments of shares which are wholly or partly paid up otherwise than for cash.</p> <p>A public company cannot exclude altogether the relevant provisions of the statute, although it may disapply them on authorisation by shareholders. Such authority must be limited in time to the directors' authority to allot shares and therefore may only be for a maximum of five years, requiring renewal by special resolution when the authority expires.</p>	<p>The Corporations Act permits directors to issue new shares without shareholder approval (and without first offering them to existing shareholders). However, the Company will be bound by the provision in the Listing Rules, which states that a listed company may only issue up to a maximum number equivalent to 15% of the issued capital of the company prior to the allotment in any 12 month period.</p>
Auditors	
<p>Auditors of a public company have to be appointed for each financial year. They must be appointed before the end of each meeting at which the company's annual accounts for the previous financial year are laid.</p>	<p>There is no such requirement under Australian law, although shareholders are required to approve the appointment of a company's auditors at the first annual general meeting after their appointment.</p>
Purchase of new securities	
<p>A public company incorporated in England and Wales can only purchase its own shares if the purchase has been authorised by a shareholders' resolution and the company's articles do not prohibit it. In relation to a buy-back of shares represented by CDIs listed on the ASX, this will constitute an off-market purchase for the purposes of the Companies Act. This means that any buy-back of shares will need to be done pursuant to a contract</p>	<p>A company has the right to buy back its shares under Australian law. Depending on the type of share buy-back conducted and the number of shares that the company proposes to buy back, the proposal may need to be approved by a resolution of the shareholders.</p>

Position in England and Wales	Position in Australia
<p>approved prior to purchase by a special resolution of the members. This contract must state the date on which the resolution will expire which must be a date not later than 5 years from the passing of that resolution.</p> <p>Institutional guidelines currently recommend that the authority to buy-back shares should be limited to 10% of the issued share capital.</p> <p>Shares cannot be purchased unless they are fully paid-up and the consideration for the purchase of shares must be paid on purchase.</p>	
Takeovers	
<p>The Company is subject to the Takeover Code as a public company incorporated in England and Wales.</p> <p>Subject to certain exceptions and limitations, a mandatory offer may be required to be made under Rule 9 of the Takeover Code broadly where:</p> <p>(a) a bidder and any persons acting in concert with it acquire shares carrying 30% or more of the voting rights of a target company; or</p> <p>(b) if a bidder, together with any concert parties, increases its holding where its holding is not less than 30% but not more than 50% of the voting rights.</p> <p>Rule 9 requires a mandatory offer to be made in cash and at the highest price paid by the bidder (or any persons acting in concert with it) for any interest in shares of the relevant class during the 12 months prior to the announcement of the offer.</p> <p>Where a bidder, within 4 months of making its offer, obtains acceptances of at least 90% of the shares subject to the takeover offer (which excludes any shares held by it or its concert parties), it can require the remaining shareholders who have not accepted the offer to sell their shares on the terms of the offer.</p> <p>Certain exceptions apply, such as acquisitions of relevant interests in voting shares made under takeover bids or made, in certain</p>	<p>The Corporations Act governs a takeover, and contains a general rule that a person must not acquire a 'relevant interest' in issued voting shares of a company, if because of the transaction, a person's voting power in the company increases from 20% or below to more than 20%, or increases from a starting point which is above 20% but less than 90%.</p>

Position in England and Wales	Position in Australia
<p>circumstances, with shareholder approval.</p> <p>Australian law similarly permits compulsory acquisition by persons holding a 90% interest in the relevant securities.</p> <p>The Company is not subject to the provisions of the Corporations Act relating to changes in control and takeover of public companies.</p>	
Payment for Shares	
<p>Shares may not be allotted unless at least 25% of the nominal value and the whole of any premium has been paid up.</p>	<p>There is no equivalent requirement under Australian law.</p>
Reduction in net assets	
<p>Where the net assets of a public company are reduced to 50% or less of its called up share capital, the directors must convene a general meeting to consider how to deal with the situation within 28 days of the date on which any one of them becomes aware of the fact. The meeting must then be held within 56 days of becoming aware of the fact. Failure to call such a meeting will constitute an offence and may render each of the directors liable to a fine.</p>	<p>There is no equivalent requirement under Australian law.</p>
Distribution of profits	
<p>In addition to the requirement imposed on all companies, that no distribution may be made except out of profits available for the purpose, a public company may only make a distribution if the amount of its net assets (after payment of such dividend) would be not less than the aggregate of its called up share capital and undistributable reserves.</p>	<p>A company must not pay a dividend unless the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend. The dividend must be fair and reasonable and must not materially prejudice the company's ability to pay its creditors.</p>

Where it is noted that English company law contains comparable provisions to those existing under Australian law, it is emphasised that the summary table only attempts to provide general guidance, and that the detailed provisions may contain differences (including as to the availability of the cause of action), and may also be subject to differing interpretation by Australian and English courts.

7. THE TAKEOVER CODE

The Takeover Code applies, subject to certain exceptions, to all offers for companies which have their registered office in the UK. The Company is subject to the Takeover Code as at the date of this Prospectus. The Takeover Code comprises General Principles and Rules, supplemented by notes giving interpretations of the Rules. Following the implementation of Part 28 of the Companies Act, the rules set out in the Takeover Code which are derived from the EU Takeover Directive now have the force of law.

The following is a brief summary of certain important provisions of the General Principles and Rules of the Takeover Code.

This summary is provided as a general guide only, and is not a comprehensive summary or analysis of all of the consequences of owning securities in an entity subject to the provisions of the Takeover Code.

7.1 General Principles

EQUAL TREATMENT	All holders of the securities of an offeree company of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.
TIME AND INFORMATION	The holders of the securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on the bid; where it advises the holders of securities, the board of the offeree company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.
BOARD TO ACT IN THE INTERESTS OF THE COMPANY	The board of an offeree company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the bid.
NO FALSE MARKET	False markets must not be created in the securities of the offeree company, of the offeror company or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.
CERTAIN FUNDING	An offeror must announce a bid only after ensuring that he/she can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.
NO UNREASONABLE HINDRANCE	An offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a bid for its securities.

**MANDATORY TAKEOVER
BID**

Under the Takeover Code, if an acquisition of CDIs and Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it in CDIs and Shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel) to make a cash offer for the CDIs and Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for CDIs and Shares by the acquirer or its concert parties (if any) during the previous 12 months.

A similar obligation to make such mandatory cash offer would also arise on the acquisition of CDIs and Shares by a person holding (together with its concert parties, if any) CDIs and Shares carrying at least 30% but not more than 50% of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

SQUEEZE-OUT RULES

Also, under the Companies Act, if an offeror were to acquire 90% of the CDIs and Shares to which its offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10%. It would do so by sending a notice to other holders of CDIs and Shares telling them that it will compulsorily acquire their CDIs and Shares and it would then execute a transfer of the outstanding CDIs and Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for such holders.

The consideration offered to persons whose CDIs and Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

ANNOUNCEMENTS

If before the offeree is approached by the potential offeror (an offer must be put forward in the first instance to the offeree board), the offeree is the subject of rumour and speculation or an untoward share price movement, and there are reasonable grounds for concluding that it is the potential offeror's actions (whether through inadequate security or otherwise) which have led to the situation, then the offeror is responsible for making an appropriate announcement.

If the offeree is the subject of rumour and speculation or an untoward movement in its share price after an approach has been made to the offeree's board, responsibility for making an announcement moves to the offeree.

An extension of the discussions concerning a proposed offer beyond “a very restricted number of people (outside those who need to know in the parties concerned and their immediate advisers)” can also give rise to an obligation on the offeror or the offeree to make an announcement.

Once an announcement has been made which identifies a potential offeror, it must announce, within 28 days, either announce a firm intention to make an offer or that it does not intend to make an offer

(in which case it and those acting in concert with it will be precluded from making an offer for six months).

SECRECY

Prior to any announcement of an offer or possible offer, the fundamental obligation is that all persons privy to confidential information, and particularly price sensitive information, concerning an offer or possible offer must treat the information as secret and may only pass it to another person if it is necessary to do so and if that person is made aware of the need for secrecy.

CONDITIONS OF THE OFFER

A firm intention to make an offer should only be announced after the most careful and responsible consideration and when the offeror has every reason to believe that it can and will continue to be able to implement its offer. An offer must not normally be subject to conditions which depend solely on subjective judgements by the offeror or the offeree company (as the case may be) or, in either case, its directors or the fulfilment of which is in their hands.

COMPETITION AND EUROPEAN COMMISSION CONDITIONS

Where an offer comes within the statutory provisions for a possible Phase 2 CMA reference, it must be a term of the offer that it will lapse if there is a Phase 2 CMA reference before the first closing date (which will be at least 21 days after the sending of the offer document) or the offer becoming or being declared unconditional as to acceptances, whichever is later. Where an offer would give rise to a concentration with an EU dimension within the scope of Council Regulation 139/2004/EC, it must be a term of the offer that if Phase 2 European Commission proceedings are initiated, or there is a Phase 2 CMA reference following a referral by the European Commission to a competent authority in the United Kingdom, it is also a requirement that the offer lapses if this occurs before the first closing date or the offer becoming or being declared unconditional as to acceptances, whichever is later.

EQUAL TREATMENT

The offeror and persons acting in concert with it may not make any arrangements with shareholders and may not deal in the offeree’s shares or enter into arrangements to deal in such shares, either during an offer or when one is reasonably in contemplation, if there are favourable conditions attached which are not being extended to all shareholders. Information

	about companies involved in an offer should be made equally available to all shareholders of an offeree.
FINANCING	Only in exceptional cases will an offer be permitted to be subject to a condition or pre-condition relating to financing. This usually means that committed facilities must be in place and that letters of intent will not be sufficient.
ACCEPTANCES	As a general rule, no offer for voting equity share capital or for other transferable securities carrying voting rights may be declared unconditional as to acceptances unless the offeror has acquired, or agreed to acquire, whether pursuant to the offer or otherwise, shares carrying over 50% of the offeree's voting rights. This condition must be satisfied, ie, the offer must be declared unconditional as to acceptances, by no later than the 60th day after the formal offer document is sent to the offeree's shareholders other than with the consent of the Panel in exceptional circumstances (eg, if a competing offer is announced, when the bid timetable moves to that established by the sending of the competing offer document).
WITHDRAWAL OF ACCEPTANCES	An acceptor must be entitled to withdraw their acceptance after the expiry of 21 days from the first closing date of the initial offer (usually 21 days after making of the offer). This entitlement to withdraw must remain exercisable until such time as the offer becomes or is declared unconditional as to acceptances. The Panel may also give acceptors additional rights of withdrawal in circumstances where the offeror or offeree is not allowed to invoke particular conditions to the offer.
COMPARABLE OFFERS	Where an offer is made for voting equity share capital or for other transferable securities carrying voting rights and the offeree has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the stockholders to ensure that their interests are safeguarded. Equality of treatment is required.
REVISION AND EXTENSION	Any revised offer must be kept open for at least 14 days from the date of sending the revised offer document to shareholders. As a result, since an offer may not be extended beyond the 60th day of its first publication date without the Panel's consent, no revised offer may be sent (and no offeror should place itself in the position where it would be required to revise its offer) after the 46th day following the first publication date.
SATISFACTION OF OTHER CONDITIONS	Except with the consent of the Panel, all conditions must be fulfilled or the offer must lapse within 21 days of the first closing date, or of the date on which the offer becomes or is declared unconditional as to acceptances, whichever is the later.

BREAK FEES

An offeree is prohibited from agreeing to pay a break fee to an offeror to help cover its costs if its offer fails because of a higher offer emerging. The prohibition extends to any other agreement or arrangement between the offeror and offeree with only a few specified exceptions relating to matters such as confidentiality and assistance for the purpose of obtaining regulatory clearances.

FRUSTRATING ACTION

An offeree may not, from the time when it has reason to believe that a bona fide offer may be imminent, except pursuant to an existing contract or with the approval of its shareholders, take action which could result in any offer or bona fide possible offer being frustrated or in shareholders being denied the opportunity to decide an offer on its merits.

NEW OFFER

Once an offer has been withdrawn or lapsed, it cannot normally be renewed for 12 months from the date on which such offer is withdrawn or lapsed, save in certain exceptional circumstances permitted by the Panel (including the offeree board's recommendation).

8. RISK FACTORS

8.1 Introduction

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

There are a number of factors, both specific to our Company and of a general nature, which may, either individually or in combination, have a material adverse effect on:

- (a) our ability to effectively implement our strategy;
- (b) our operating and financial performance and financial position; our prospects;
- (c) our potential ability to pay dividends in the future; and
- (d) the value of the Shares.

Many of the circumstances giving rise to these risks are beyond our control or the control of our Directors and management. There can be no guarantee that we will achieve our stated objectives or that any forward looking statements will eventuate.

By their nature, investments in technology ventures are subject to numerous risks and you should consider that an investment in our Company is speculative.

This Section 8 describes certain specific areas that are believed to be the major risks associated with an investment in the Company.

8.2 General, Industry and Company specific risks

(a) Emphasis of matter – Going concern

The 2015 financial statements released to the market on 31 March 2016 include an 'emphasis of matter – going concern' note. Based on the number of inherent uncertainties relating to the Company's future activities, including uncertainty as to the ability to raise equity capital in the current market, there is material uncertainty which may cast significant doubt regarding the ability of the Company to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Notwithstanding the inclusion of an 'emphasis of matter – going concern' note in the Company's 2015 financial statements, the Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern. However, in the event that the Offer is not completed successfully or is delayed, there is significant uncertainty as to whether the Company can meet its commitments to its creditors and continue as a going concern, which is likely to have a material adverse effect on the Company's activities.

(b) **Additional requirements for capital**

The funds raised under the Offer are considered sufficient to meet the objectives of the Company. Additional funding may be required to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur, additional financing will be required.

The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(c) **Development and further commercialisation of technologies**

Etherstack relies on its ability to develop and further commercialise the technologies and products of the Company. A failure to successfully develop and commercialise the technologies could lead to the current technology being superseded and to a loss of opportunities and adversely impact on Etherstack's operating results and financial position.

(d) **Technologies Rights, IP and Know How**

Securing rights to the intellectual property and the know-how behind the technologies is an integral part of the value of Etherstack's products. The Company does not always seek to patent intellectual property or know-how and process as the granting of a patent or process rights does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvent such patents.

The Company's success depends, in part, on its ability to develop new understandings and applications of published standards, as well as maintaining trade secret protection through legal constraints in contracts. The Company gives no assurance that any technology rights, intellectual property, know-how and processes the Company may own or control or licence now and in the future will afford the Company commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.

Although the Company is not aware of any third party interests in relation to its intellectual property, there is a risk of third parties claiming involvement in technological discoveries. If any disputes arise, they could adversely affect the Company.

(e) **Research and development**

The Company makes no representation that any of its research into or further development of the technologies will be successful, that its development projects will be concluded satisfactorily, or that new technologies will be developed into products that are commercially successful.

(f) **Product liability and uninsured risks**

As a result of its on-going business, Etherstack is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products and technologies. Etherstack has secured insurance to help manage such risks. In the future, Etherstack may not be able to maintain insurance for its products on reasonable terms and, in addition, Etherstack's insurance may not be sufficient to cover large claims, or the insurer could reject coverage on claims.

Although the Group endeavours to work to published standards and customer specifications, there is still the potential for the technologies and products to contain defects which may result in customer product or system failures. Any such defects or failures could result in the loss of, or delay in generating, revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, damage to the Group's reputation and/or increased insurance costs.

If Etherstack fails to meet its customers' expectations, Etherstack's reputation could suffer and it could be liable for damages.

Further, Etherstack is exposed to the risk of catastrophic loss to necessary development and test equipment, computer equipment or other facilities which could have a serious impact on Etherstack's operations in a particular location.

(g) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its Key Personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of the key personnel cease their employment with the Company.

(h) **Dependence on Key Contracts**

Etherstack depends on a number of key contracts. The consequences of breach or termination of any of these key contracts could have a material adverse effect on Etherstack's business, financial condition and results of operations.

(i) **Loss of Key Customers**

The Company has established important customer relationships through development of the technologies. The loss of one or more key customers is likely to adversely affect the operating results of the Company.

(j) **Substantial holding risk**

David Deacon currently holds 57.04% of the Shares in the Company. This means David can exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval including the election of Directors. Any matter requiring an ordinary resolution of Shareholders can be determined by David Deacon voting for or against the matter. The interests of David Deacon may vary significantly from the interests of other investors.

Sales of large parcels of CDIs or Shares, or the perception that such sale may occur, may cause a decline in the market price at which the CDIs trade on ASX. Sales by David Deacon or the existing security holders of a substantial number of Securities after the Offer, or the expectation that such sales may occur, may cause a decline in the market price at which the CDIs trade on ASX.

There is no restriction on the ability of the existing Shareholders, including David Deacon, to sell their Securities on ASX or otherwise.

(k) **Regulatory Risk**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

(l) **Licensing and marketing risks**

The Company intends to continue to review the potential of the technologies in new territories. There can be no assurance that these markets will be established successfully and the failure to do so could have a material adverse effect in the Company's business, financial condition and results of operations.

(m) **Trading Price of CDIS**

The Company's credit quality, operating results, economic and financial prospects and other factors will affect the trading price of CDIs. In addition, the price of CDIs is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the value of the Australian dollar, the British Pound Sterling and United States dollar.

(n) **Competition**

There is a risk that the Company will not be able to continue to compete profitably in the competitive wireless telecommunications industry in the long term. The potential exists for the nature and extent of the competition to change rapidly, which may cause loss to the Company.

(o) **Liquidity risk**

There is no guarantee that there will be an ongoing liquid market for CDIs or Shares. If illiquidity arises, there is a real risk that Securityholders will be unable to realise their investment in the Company at an acceptable price.

8.3 General risks

(a) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

(b) **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.

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. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

8.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the CDIs offered under this Prospectus.

Therefore, the CDIs to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those CDIs.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for CDIs pursuant to this Prospectus.

9. ADDITIONAL INFORMATION

9.1 Litigation

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

9.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is 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.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
04/04/2016	Etherstack announces AUD \$3.2 million strategic contract
31/03/2016	Appendix 4G

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.etherstack.com.

9.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its CDIs are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the CDIs on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.31	18 -31 March 2016, 1 April 2016
Lowest	\$0.25	29 December 2015 - 26 February 2016
Last	\$0.31	1 April 2016

9.4 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:

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

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Convertible Notes	Entitlement	\$
Peter Stephens	394,058	250,000	430,000	1,182,174	\$118,217
David Deacon	18,241,850	Nil	570,516	54,725,550	\$5,472,555
Paul Barnes	1,712,500	125,000	180,000	5,137,500	\$513,750
Scott Minehane	81,875	315,000	Nil	245,625	\$24,562

The Board recommends all Shareholders take up their Entitlement and advises that Directors Peter Stephens and Paul Barnes intend to take up their respective Entitlements in full. David Deacon has indicated he will be taking up the majority of his entitlement under the Offer and Scott Minehane has indicated he will take up a portion of his Entitlement.

Remuneration

The remuneration of an executive Director is 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 Articles of Association and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Articles of Association, 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. The current amount has been set at an amount not to exceed US\$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, 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 following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors.

Director	FY 2014 Total Remuneration	FY 2015 Total Remuneration	FY 2016 Proposed Remuneration
Peter Stephens	£26,000 GBP ¹	£26,000 GBP ¹	£26,000 GBP ¹
David Deacon	\$262,294 USD ²	\$262,294 USD ²	\$262,294 USD ²
Paul Barnes	£28,000 GBP ¹	£28,000 GBP ¹	£28,000 GBP ¹
Scott Minehane	\$45,000 AUD	\$45,000 AUD	\$45,000 AUD

Note 1: Directors' remuneration is reported in the Company's annual reports in USD. The accounting policies applied in translating the remuneration amounts in GBP and AUD set out above are outlined in the 2014 Annual Report.

9.5 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; or
- (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:

- (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 any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or

(b) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$25,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not been paid any fees by the Company.

Fieldfisher LLP has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Fieldfisher LLP \$11,200 (excluding taxes and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Fieldfisher LLP has not been paid any fees by the Company.

DJ Carmichael Pty Limited has been appointed as the nominee under ASX Listing Rule 7.7. DJ Carmichael Pty Limited will be paid for this service on standard industry terms and conditions.

9.6 Consents

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) 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.

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

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

DJ Carmichael Pty Limited has given and has not withdrawn its consent to be named as the Company's nominee under ASX Listing Rule 7.7. DJ Carmichael Pty Limited has not caused or authorised the issue of this Prospectus, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

9.7 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$84,300 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,320
ASX fees	19,256
Nominee fees	6,000
Legal fees	41,200
Printing and distribution	3,000

Share Registry and miscellaneous costs	12,524
Total	\$84,300

9.8 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 Forms. If you have not, please phone the Company on +61 2 8399 7500 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.etherstack.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.

9.9 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 timing of the completion or commencement of individually significant projects and contracts can cause significant variation in the pattern of revenues. 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.

9.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing CDI certificates to CDI holders. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of CDIs 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 CHES and issuer sponsorship.

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.

Shareholders on the UK Share register are issued with Share certificates.

9.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate

distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, 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 Company's Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (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.

10. 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.

Peter Stephens
Chairman
For and on behalf of
ETHERSTACK PLC

11. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

AEDT means Australian Eastern Daylight Time as observed in Melbourne, Victoria.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application means an application to subscribe for CDIs under this Prospectus.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

Application Monies means money submitted by Applicants in respect of Applications.

ASIC means the Australian Securities and 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 listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

CDI means a Clearing House Electronic Sub-register System Depository Interest issued over a Share.

CDN means CHES Depository Nominees Pty Limited (ACN 071 346 506).

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Companies Act means the Companies Act 2006 of the United Kingdom, as amended.

Company or **Etherstack** means Etherstack PLC, incorporated in England and Wales with registered company number 7961056 (ARBN 156 640 532).

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

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

Eligible Shareholder means a Shareholder of the Company as at the Record Date other than an Ineligible Shareholder.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

EU means the European Union.

FCA means the UK Financial Conduct Authority.

Financial Promotion Order means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the United Kingdom, as amended.

FSMA means the Financial Services and Markets Act 2000 of the United Kingdom, as amended.

GBP means pounds sterling, the currency of the United Kingdom.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia, New Zealand, Japan, the Netherlands or the United Kingdom.

Nominee means DJ Carmichael Pty Limited.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Panel means the UK Panel on Takeovers and Mergers.

Phase 2 CMA reference means a reference of an offer or possible offer to the UK Competition and Markets Authority for constitution of a group under Schedule 4 of the UK Enterprise and Regulatory Reform Act 2013.

Phase 2 European Commission proceedings means proceedings initiated by the European Commission under Article 6(1)(c) of Council Regulation 139/004/EC in respect of an offer or possible offer.

Prospectus means this prospectus.

Prospectus Directive means Directive 2003/71/EC of the European Union.

Prospectus Rules means the prospectus rules of the FCA acting as the UK Listing Authority made in accordance with section 73 of the FSMA, as amended.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

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

Share Registry means Computershare Investor Services Pty Limited.

Shareholder means a holder of a Share or a CDI.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.14 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

Takeover Code means the United Kingdom City Code on Takeovers and Mergers.

United Kingdom or the **UK** means the United Kingdom of Great Britain and Northern Ireland.

USD means a United States dollar.