

ETHERSTACK PLC

ARBN 156 640 532

A company registered in England and Wales

Company Number 7961056

PROSPECTUS

For the offer of up to 1,000 CDIs in the capital of the Company at an issue price of \$0.58 per CDI to raise up to \$580 (before expenses).

This Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of CDIs issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

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

The CDIs offered under this Prospectus should be considered 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
27-28 Poland Street
LONDON W1F 8QN UNITED KINGDOM
Website: **www.etherstack.com**
Email: **info.eu@etherstack.com**

Australia

93A Shepherd Street
CHIPPENDALE NSW 2008

Telephone: +61 2 8399 7500
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

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

Auditor

Grant Thornton UK LLP*
Statutory Auditor
CAMBRIDGE UNITED KINGDOM

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

2. TIMETABLE AND IMPORTANT NOTES

2.1 Timetable

Action	Date
Lodgement of Prospectus with the ASIC and ASX	23December 2020
Opening Date	23 December 2020
Closing Date*	5:00pm AEDT on 25 December 2020
Expected date of Official Quotation of the CDIs	30 December 2020

** The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice. As such, the date the CDIs are expected to commence trading on ASX may vary with any change in the Closing Date.*

2.2 Important Notes

This Prospectus is dated 23 December 2020 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

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

The Offer is only available to those who are personally invited to accept the Offer. Applications for CDIs offered pursuant to this Prospectus can only be submitted on an original Application Form that accompanies this Prospectus and can only be obtained from the Company upon request.

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.

2.3 Risk Factors

Potential investors should be aware that subscribing for CDIs in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 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 CDIs in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for CDIs pursuant to this Prospectus.

2.4 Overseas Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute

an offer of CDIs in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

2.5 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 6 of this Prospectus.

2.6 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 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 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 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 to those holding the underlying Shares with legal title. 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 meeting 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.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 CDIs at an issue price of \$0.58 per CDI to raise up to \$580 (before expenses).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the CDIs offered under this Prospectus will rank equally with CDIs on issue at the date of this Prospectus.

3.2 Objective

The Company is seeking to raise only a nominal amount of \$580 under this Prospectus.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to CDIs issued by the Company prior to the Closing Date and, accordingly, the purpose of this Prospectus is not to raise capital.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.3 Application for CDIs

Applications for CDIs must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus and can only be obtained from the Company upon request.

Payment for the CDIs must be made in full at the issue price of \$0.58 per CDI.

Cheques should be made payable to “**Etherstack plc**” and crossed “**Not Negotiable**”. Completed Application Forms and cheques must reach the address set out above by no later than 5:00pm (AEDT) on the Closing Date.

3.4 Minimum subscription

There is no minimum subscription for the Offer.

3.5 Issue of CDIs

Issue of CDIs under the Offer will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until the CDIs are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether any CDIs are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the CDIs. The Directors reserve the right to reject any application or to allocate any Applicant fewer CDIs than the number applied for.

Where the number of CDIs issued is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no issue of CDIs is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

3.6 ASX listing

Application for Official Quotation of the CDIs offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the CDIs 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 CDIs and will repay all application moneys for the CDIs within the time prescribed under the Corporations Act, without interest.

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

3.7 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

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.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up CDIs on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.8 Enquiries

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

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to CDIs issued by the Company prior to the Closing Date (including prior to the date of this Prospectus). All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.9 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Effect of the Offer on capital structure

The effect of the Offer on the Company's capital structure is set out below.

CDIs ¹	Number
CDIs currently on issue ¹	120,958,432
CDIs offered under this Prospectus	1,000
Total CDIs on issue on completion of the Offer²	120,959,432

Notes:

1. The rights and liabilities attaching to the CDIs are summarised in Section 5 of this Prospectus.
2. This assumes the Offer is fully subscribed and no Options are exercised.

Options	Number
Options currently on issue ^{1,2}	2,100,000
Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	2,100,000

Notes:

1. These Options are exercisable at \$0.10 on or before 10 August 2026.
2. These Options are held by current and former employees of the Company.

Convertible Notes	Number
Convertible Notes currently on issue	499,377
Convertible Notes offered pursuant to the Offer	Nil
Total Convertible Notes on issue after completion of the Offer	499,377

4.3 Financial effect of the Offer

After expenses of the Offer of approximately \$15,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$580) will be met from the Company's existing cash reserves.

As such, the Offer will have an effect on the Company's financial position, being receipt of funds of \$580 less costs of preparing the Prospectus of approximately \$15,000.

5. RIGHTS AND LIABILITIES

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.

5.1 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.

5.2 **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.

5.3 **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 CHESSE 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. RISK FACTORS

The CDIs offered under this Prospectus are considered speculative, and accordingly any CDIs issued prior to the Closing Date of this Prospectus that are subject to any trading restrictions should also be 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;
- (c) our prospects;
- (d) our potential ability to pay dividends in the future; and
- (e) 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 6 describes certain specific areas that are believed to be the major risks associated with an investment in the Company.

6.2 General, Industry and Company specific risks

(a) **Coronavirus (COVID-19)**

The outbreak of the coronavirus disease (**COVID-19**) is impacting global economic markets. Whilst the Company believes it is currently well positioned, the nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company may update the market in regard to the impact of COVID-19 on its revenue channels and any adverse impact on the Company.

(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 Etherstack 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's current holding of Shares and CDI's represents 39.88% of the ordinary securities 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 Mr 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 Mr 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 radio and 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.

6.3 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:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) 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.

6.4 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 and including any CDIs issued prior to the Closing Date of this Prospectus that are subject to any trading restrictions.

Therefore, the CDIs to be issued pursuant to this Prospectus, including any CDIs issued prior to the Closing Date of this Prospectus that are subject to any trading restrictions, carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those CDIs.

Potential investors, including investors in any CDIs issued prior to the Closing Date of this Prospectus that are subject to any trading restrictions, 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.

7. ADDITIONAL INFORMATION

7.1 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.

7.2 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 the 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 for the purposes of complying with the Corporations Act can be inspected at the registered office of the Company or an ASIC office during normal office hours.

Details of documents lodged 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
18 December 2020	Proposed issue of Securities
18 December 2020	Investor Presentation
18 December 2020	Successful Placement
17 December 2020	Trading Halt
09 December 2020	Corporate Presentation
09 December 2020	Business Update December 2020
07 December 2020	Etherstack signs \$4.1m 1st stage Australian Defence Contract
23 November 2020	Revised Securities Trading policy
29 October 2020	Etherstack plc Trading Update & Appendix 4C
28 October 2020	Canadian Federal Police Digital Radio Network commissioned
20 October 2020	Etherstack signs license agreement with TPL Systems
15 October 2020	Proposed Issue of Incentive Performance Rights
27 August 2020	Appendix 3Y Peter Stephens
25 August 2020	Appendix 2A
24 August 2020	Half Year Accounts
13 August 2020	Appendix 3Y Peter Stephens
13 July 2020	Shareholder Presentation July 2020
09 July 2020	Appendix 4C and Trading Update
08 July 2020	Notice of change of interests of substantial holder
07 July 2020	Response to ASX Query
07 July 2020	Notice of change of interests of substantial holder
07 July 2020	Notice of change of interests of substantial holder
07 July 2020	Notice of change of interests of substantial holder
02 July 2020	Appendix 2A
01 July 2020	Appendix 2A

Date	Description of Announcement
30 June 2020	Additional information - Samsung Global Teaming Agreement
30 June 2020	Pause in Trading
30 June 2020	Global Teaming Agreement with Samsung re 4G/5G Public Safety
15 June 2020	Results of AGM
12 June 2020	CEO presentation to Annual general meeting
10 June 2020	Participation at on line Annual General Meeting
29 May 2020	Contract with CSE Crosscom for WA Resources sector project
29 April 2020	Trading Update & Appendix 4C
29 April 2020	Notice of Annual General Meeting/Proxy Form
31 March 2020	Appendix 4G Corporate Governance

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/anz.

7.3 Market price of CDIs

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 most recent dates of those sales were:

	Price	Date
Highest	\$0.845	7 December 2020
Lowest	\$0.615	12, 13 & 15 October 2020
Last	\$0.635	22 December 2020

7.4 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 CDIs on issue are set out below:

	CDIs	%
Mr David Deacon	48,241,850	39.88%
Mr Peter Stephens	17,322,587	14.32%
Lynton Properties Pty Ltd	9,080,000	7.51%
Mr Paul Barnes	6,850,000	5.66%

7.5 Additional disclosure

On, 4 September 2020, the Company received a notice from ASIC under section 30 of the ASIC Act (**ASIC Notice**) as part of its investigation into ensuring that the Company has complied with sections 674, 1041E, 1041A and 1041B of the Corporations Act.

ASIC stated that the issue of the ASIC Notice should not be construed as an indication by ASIC that a contravention of the law has occurred, nor should it be considered a reflection upon any person or entity.

On 25 September 2020, the Company provided ASIC with the requested books, but in doing so did not admit to any contraventions of the Corporations Act.

As of the date of this Prospectus, the Company has not received any further communications from ASIC on this matter.

7.6 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or CDIs or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce them to become, or to qualify them as, a Director or otherwise for services rendered by them or by the firm in connection with the formation or promotion of the Company or 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 is set out in the table below.

	Shares	Options	Convertible Notes
Peter Stephens	17,382,587	Nil	Nil
David Deacon	48,241,850	Nil	Nil
Paul Barnes	6,850,000	Nil	Nil
Scott Minehane	81,875	Nil	Nil

Remuneration

The remuneration of each executive Director is determined in accordance with the Company's remuneration framework, which is approved by the Board. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and

the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount payable in aggregate to all non-executive directors has been set at an amount not to exceed US\$300,000 per annum.

A Director may be paid fees or other amounts (i.e. 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 the executive and non-executive directors in each of the past two financial years and the proposed remuneration for the current financial year.

Director	FY 2020	FY 2019	FY 2018
Peter Stephens	US\$51,154	US\$33,179	US\$34,710
Paul Barnes	US\$54,341	US\$45,190	US\$45,840
Scott Minehane	US\$48,034	US\$34,256	US\$36,853
David Deacon	US\$262,165	US\$261,981	US\$262,132

7.7 Interests of experts and advisers

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

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

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

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

(f) the Offer,

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

(g) the formation or promotion of the Company; or

(h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services.

7.8 Consents

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

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes 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 solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

7.9 Estimated expenses of Offer

The total expenses of the Offers are estimated to be approximately \$15,000 (excluding GST) and are expected to comprise legal fees, printing and other administrative expenses, including ASIC fees. The estimated expenses will be paid out of the Company's existing working capital.

7.10 Electronic Prospectus

ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9322 3383 and the

Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

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 Prospectus or any of those documents were incomplete or altered.

7.11 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 Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under 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.

7.12 Privacy Act

If you complete an application for CDIs, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, 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 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 CDIs, the Company may not be able to accept or process your application.

8. 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

9. DEFINITIONS

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

Applicant means an investor who applies for CDIs pursuant to the Offer.

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASIC Act means the Australian Securities and Investments Commission Act 2001 (Cth).

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 CHESSE.

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 CHESSE Depository Nominees Pty Limited (ACN 071 346 506).

Closing Date means the date specified in the timetable in Section 2.1 of this Prospectus (unless extended or brought forward).

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

Constitution means the constitution of the Company as at the date of this Prospectus.

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

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

Offer means the offer of CDIs referred to in Section 3.1 of this Prospectus.

Official Quotation means official quotation on ASX.

Opening Date means the opening date of the Offer as specified in the timetable set out in Section 2.1 of this Prospectus (unless varied).

Option means an option to acquire a Share or CDI.

Prospectus means this prospectus.

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

Shareholder means a holder of a Share or a CDI.

Share Registry means Computershare Investor Services Pty Limited.

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

US\$ means a United States dollar.