

# Etherstack plc

ARBN 156 640 532

## SUPPLEMENTARY PROSPECTUS

### IMPORTANT INFORMATION

This Supplementary Prospectus is dated 26 July 2012 and is supplementary to the prospectus dated 6 June 2012 issued by Etherstack plc (ARBN 156 640 532) (**Company**) (**Original Prospectus**) relating to the offer of CHES depository interests (**CDIs**) over ordinary shares in the Company.

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 26 July 2012. Neither ASIC, ASX nor their officers take any responsibility for the contents of this Supplementary Prospectus or for the merits of the investment to which this Supplementary Prospectus relates.

This Supplementary Prospectus must be read together with the Original Prospectus. If there is a conflict between the Original Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail. Terms and abbreviations defined in the Original Prospectus have the same meaning in this Supplementary Prospectus, unless otherwise defined.

This Supplementary Prospectus will be issued with the Original Prospectus as an electronic prospectus and may be accessed on the Internet at [www.etherstack.com](http://www.etherstack.com) and the Company will send a copy of this Supplementary Prospectus along with the Original Prospectus to all Applicants who have subscribed for CDIs under the Original Prospectus prior to the date of this Supplementary Prospectus.

This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

**Etherstack plc**

**ARBN 156 640 532**

**SUPPLEMENTARY PROSPECTUS**

**1. VARIATION TO MINIMUM FUNDS TO BE RAISED UNDER THE OFFER AND OFFER PRICE**

The Directors taking into account :

- the funds committed to date under the Initial Public Offer (**IPO**),
- the difficult prevailing market conditions generally;
- the costs, in particular the cost of management time connected with keeping the Offer open;
- that the key objectives of listing the Company, including raising its profile in Australian, British and US defence sectors as well as the government communications and utility and resource sectors can be achieved notwithstanding a reduction in the quantum of funds to be raised,

the Directors have concluded it is in the best interests of the Company to;

- decrease the minimum amount of funds to be raised under the Original Prospectus to [\$3 million] from \$8 million and to allow subscriptions in excess of the minimum to be accepted until \$6 million has been received; and
- decrease the offer price for each CDI from \$2.00 to \$1.60 (**Offer Price**).

Accordingly, CDIs will be allotted and issued provided the minimum amounts of funds being \$3] million has been received.

**2. IMMEDIATE ACTION REQUIRED BY INVESTORS WHO HAVE PREVIOUSLY SUBMITTED A PUBLIC OFFER APPLICATION FORM UNDER THE ORIGINAL PROSPECTUS FOR CDIS IN ETHERSTACK PLC**

As a consequence of this Supplementary Prospectus and Section 724 of the Corporations Act, any person who has submitted an application form for CDIs in Etherstack plc under the Original Prospectus, who wishes to continue with their application **MUST** reaffirm their application for CDIs in Etherstack plc by submitting a new **Blue** Public Offer Application Form attached to this Supplementary Prospectus. Applicants will be individually contacted by the Company and/or Computershare and provided with a copy of this Supplementary Prospectus along with the Original Prospectus.

In accordance with section 724 of Corporation Act, the Company will allow investors who have lodged Applications for CDIs under the Original Prospectus prior to the date of this Supplementary Prospectus to obtain a refund of their Application Monies if they do not wish to proceed with their Application.

Any investor which wishes to obtain a refund should write to the Company's Share Registry at the following address:

Computershare Investor Services Pty Limited  
GPO Box 2115  
MELBOURNE VIC 3001

### 3. APPLICATION REQUIRED FOR INVESTORS WHO HAVE NOT PREVIOUSLY SUBMITTED A PUBLIC OFFER APPLICATION FORM FOR CDIS IN ETHERSTACK PLC

The offer for CDIs in Etherstack plc is made in the Original Prospectus dated 6 June 2012 as amended by this Supplementary Prospectus. If you wish to apply for CDIs and have not yet completed a Public Offer Application Form, please complete the Blue Public Offer Application Form attached to this Supplementary Prospectus. The Application form must be received by 5:00 pm (AEST) on 27<sup>th</sup> August 2012.

### 4. EFFECT OF VARIATION TO MINIMUM FUNDS ON OTHER SECTIONS OF THE ORIGINAL PROSPECTUS

The variations referred to in Section 1 above have an effect on certain sections of the Original Prospectus. These sections and the variations are set out below. Importantly it should be noted that because Etherstack has been profitable (as measured by EBITDA) over the past 10 years since its inception, and has considerable financial resources the key variation will be to retime certain product developments and expansion into new geographical markets for product lines.

#### 4.1 Key Offer Dates

The indicative timetable is amended as follows:

Lodgement of Original Prospectus with the ASIC	6 <sup>th</sup> June 2012
Opening Date	6 <sup>th</sup> June 2012
Supplementary Prospectus lodged with the ASIC	26 <sup>th</sup> July 2012
Closing Date	5pm 27 <sup>th</sup> August 2012
Settlement	3 <sup>rd</sup> September 2012
Allotment of CDIs	3 <sup>rd</sup> September 2012
Despatch of holding statements	7 <sup>th</sup> September 2012
Quotation of CDIs on the ASX	14 <sup>th</sup> September 2012

#### 4.2 Purpose of the Offer and use of proceeds

As a result of varying the minimum amount to be raised by the Offer the proposed use of funds will change. If the minimum amount is received the funds raised will be used as follows:

Use of funds	\$	% of funds raised
Fund technology developments and establishing manufacturing of new product lines	770,000	25.7
New and existing market expansion	500,000	16.6
Working capital	800,000	26.7
Fees and expenses of the Offer	930,000	31
<b>Total uses of funds</b>	<b>3,000,000</b>	<b>100%</b>

For more detail on the fees and expenses of the Offer see section 4.5 of this Supplementary Prospectus.

In the event applications are received in excess of the minimum then additional funds will be used as follows:

<b>Use of funds</b>	<b>%</b>
Fund technology developments and establishing manufacturing of new product lines	40%
New and existing market expansion	33%
Working capital	20%
Fees and expenses of the Offer	7%
<b>Total uses of funds</b>	<b>100%</b>

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

### **4.3 Capital Structure**

The capital structure of the Company assuming the minimum subscription of \$3,000,000 is reached, is summarised below:

Amount raised	\$3 million
Number of CDIs being offered under this Supplementary Prospectus	1.875 million
Total number of Shares immediately after the allotment of CDIs under the Offer	31,934,900
Total number of CDIs immediately after the allotment of CDIs under the Offer	1.875 million
Indicative market capitalisation on Listing of the company at the Offer Price	\$51,095,840

#### 4.4 Disclosure of Interests

The Offer will have the following effect on the capital structure of the Company:

	Pre IPO		Post IPO	
	Number	%	Number	%
David Deacon	18,241,850	60.68%	18,241,850	57.12%
Employees	6,257,325	20.82%	6,257,325	19.59%
British investors	2,693,750	8.96%	2,693,750	8.44%
Australian and Japanese investors	1,541,500	5.13%	1,541,500	4.83%
In Q Tel Inc & Employees LLC	1,325,475	4.41%	1,325,475	4.15%
New investors	-	-	1,875,000	5.87%
	<b>30,059,900</b>	<b>100.00%</b>	<b>31,934,900</b>	<b>100.00%</b>

#### 4.5 Expenses of the Offer

The revised expenses of the Offer are estimated to be approximately \$980,000 and are expected to be applied towards the items set out in the table below:

<b>Interests of advisers and other persons</b>	
Legal adviser, Gilbert + Tobin	427,000
Investigating Accountant, Deloitte Touche Tohmatsu	72,000
Issuer of the Original Prospectus and Supplementary Prospectus in the UK, Beach Street Financial Solutions Limited	30,000
<b>Costs of advisers and other persons</b>	<b>529,000</b>
In addition to the above expenses the following costs are expected:	
Distribution fees	50,000
Other legal and tax costs	158,000
ASX fees	100,000
Other Accounting costs	58,000
Original Prospectus design and printing costs	30,000
Other	5,000
<b>TOTAL</b>	<b>930,000</b>

#### 4.6 Proforma Consolidated balance sheet

The following table sets out the historical and revised proforma balance sheets of Etherstack as at 31 December 2011.

<b>US \$ Thousands</b>			
<b>Balance sheet</b>	<b>Historical</b>	<b>Equity raising</b>	<b>Prof Forma</b>
<b>NON CURRENT ASSETS</b>			
Intangible Assets	5,389		5,389
Property Plant and equipment	243		243
<b>Total non-current assets</b>	<b>5,632</b>		<b>5,632</b>
<b>NON CURRENT ASSETS</b>			
Inventories	202		202
Trade and Other receivables	3,411		3,411
Cash and Bank balances	2,660	2,106	4,766
<b>Total current assets</b>	<b>6,273</b>	<b>2,106</b>	<b>8,379</b>
<b>TOTAL ASSETS</b>	<b>11,905</b>	<b>2,106</b>	<b>14,011</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,910		1,910
Current tax liabilities	811		811
<b>Total Current Liabilities</b>	<b>2,721</b>		<b>2,721</b>
<b>NON CURRENT LIABILITIES</b>			
Other	-		-
<b>Total Non Current Liabilities</b>			
<b>Total Liabilities</b>	<b>2,721</b>		<b>2,721</b>
<b>NET CURRENT ASSETS</b>	<b>3,552</b>	<b>2,106</b>	<b>5,658</b>
<b>NET ASSETS</b>	<b>9,184</b>	<b>2,106</b>	<b>11,290</b>
<b>EQUITY</b>			
Share capital	226	12	238
Share Premium account	3519	2,094	5,613
Merger reserve	(191)		(191)
Share based payment reserve	48		48
Retained earnings	5582		5582
<b>TOTAL EQUITY</b>	<b>9,184</b>	<b>2,106</b>	<b>11,290</b>

## **Pro forma adjustments**

The following adjustments have been made in the presentation of the pro forma consolidated balance sheet.

### **Impact of the IPO**

Pro forma adjustments to reflect the Offer have been made as follows:

#### ***Equity raising:***

- issue of CDIs to the value of \$3 million; and
- costs directly related to the Offer of \$930,000 reflected as a reduction against the equity raised.

#### ***Use of proceeds from the Offer:***

- the proceeds of the Offer will be added to the Company's cash reserves to provide additional working capital, fund technology developments and pay the costs of the Offer. Pro forma adjustments have been made to the balance sheet as at 31 December 2011 to reflect this by increasing the cash balance by the net proceeds of the offer \$2,106,000.

## **5. APPLICATIONS FOR SECURITIES**

Applications for CDIs under the Offer must be made using the Blue Application Form that is attached to or accompanying this Supplementary Prospectus.

The Company reserves the right to close the Offer early.

## **6. DIRECTORS' AUTHORISATION**

This Supplementary 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 Supplementary Prospectus with ASIC.



**Mr Scott W Minehane**  
**Director**  
**For and on behalf of**  
**Etherstack plc**

Note: All other details in relation to the terms of the Offer and other matters under the Original Prospectus remain unchanged. The Directors believe that the changes in this Supplementary Prospectus are not materially adverse from the point of view of an investor.



# How to complete this form

<p><b>CDIs Applied for</b> Enter the number of CDIs you wish to apply for.</p> <p><b>Application Monies</b> Enter the amount of Application Monies. To calculate the amount, multiply the number of CDIs by the price per CDI.</p> <p><b>Applicant Name(s)</b> Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.</p> <p><b>Postal Address</b> Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.</p> <p><b>Contact Details</b> Enter your contact details. These are not compulsory but will assist us if we need to contact you.</p>	<p><b>CHES</b> Etherstack plc (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of CDIs allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold CDIs allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).</p> <p><b>Payment</b> Make your cheque or bank draft payable to Etherstack plc CDI Offer in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. Please note that funds are unable to be directly debited from your bank account. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Public Offer Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.</p>
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Before completing the Public Offer Application Form the Applicant(s) should read this prospectus to which this application relates. By lodging the Public Offer Application Form, the Applicant(s) agrees that this application for CDIs in the Company applied for and allocated to the Applicant(s) is upon and subject to the terms of the Prospectus and the ASX Settlement Operating Rules, agrees to take any number of CDIs that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Public Offer Application Form

## Lodgement of Application

Public Offer Application Forms must be received by the Melbourne office of Computershare Investor Services Pty Limited by no later than 5.00pm (Melbourne time) on 27 August 2012 unless varied by the Company. You should allow sufficient time for this to occur. Return the Public Offer Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited  
GPO Box 2115  
MELBOURNE VIC 3001

Neither Computershare Investor Services Pty Limited nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited, as registrar for securities of the Company, for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Computershare Investor Services Pty Limited, or you would like to correct information that is inaccurate, incorrect or out of date, please contact Computershare Investor Services Pty Limited. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the Company in addition to general corporate communications. You may elect not to receive marketing material by contacting Computershare Investor Services Pty Limited. You can contact Computershare Investor Services Pty Limited using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au).

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 850 505.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold CDIs. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	X John Smith Pty Ltd Superannuation Fund