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ASX Announcement

ETHERSTACK PLC

(ASX:ESK)

("Etherstack" or the "Company")

Etherstack plc proposed A\$9.6m capital raise, Draft Results for 2015 and Forecast Results for 2016

Etherstack plc proposed capital raise

Etherstack is proposing a capital raise in order to provide additional working capital, enable substantial debt reduction and to significantly strengthen the balance sheet.

The capital raise will take the form of a renounceable entitlement offer whereby shareholders and CDI holders will be offered rights to acquire 3 new CHESS Depository Interests (**CDIs**) issued over a fully paid ordinary share of 0.4p each in the capital of the Company (**Share**) for every 1 Share or CDI held (**Offer**). The rights will entitle the holder to acquire new Shares or CDIs at an issue price of 10 cents.

Eligible shareholders will comprise those shareholders and CDI holders with a registered address in Australia, New Zealand, Japan, the Netherlands or the United Kingdom, or any other shareholders in other jurisdictions to whom the Company decides to make offers.

All the CDIs issued under the Offer will rank equally with existing Shares and CDIs on issue on the record date. The Company will make application for official quotation on ASX of the new CDIs proposed to be issued under the Offer.

The proposal requires the approval of shareholders and a general meeting of shareholders will be held to approve the resolutions necessary for the proposed capital raise. The notice of general meeting and the prospectus for the Offer (**Prospectus**) will provide more information on the capital raise.

If fully subscribed the capital raise will increase the issued share capital of the Company from 31,980,784 Shares to 127,923,136 Shares and increase the Company's shareholder funds by approximately AUD\$9.594 million (before allowing for costs of the issue).

The majority shareholder of the Company, David Deacon, has indicated he will be taking up the majority of his entitlement under the Offer. The other directors of the Company are also supporting the capital raise. Peter Stephens, Non-executive Chairman and Paul Barnes, Non-executive director, have both indicated they will take up all their entitlements. Scott Minehane, Non-executive director has indicated he will take up a portion of his entitlements.

The take up of entitlements from David Deacon, Peter Stephens and Paul Barnes will be wholly or partially funded by amounts previously advanced from the Directors to the Company. Peter Stephens and Paul Barnes will also make cash subscriptions under the terms of the Offer.

Draft Results for 2015 and Forecast Results for 2016

The unaudited revenue for 2015 is USD\$2.21 million. This is in line with the revenue result for the half year ended 30 June 2015 (USD \$1.15 million) but below the revenues reported for 2014 (USD \$7.18 million). This decrease is predominantly due to timing delays on three major network upgrade/extension projects for existing customers.

The Company notes cash from operations in 2015 will be positively impacted by tax received (USD\$890,000 was included in the 30 June 2015 half year financial statements) and a reduction in accrued income arising from timing differences between revenue recognition and cash receipt.

The results for the financial year ended 31 December 2015 are in process of preparation and audit and will be released in accordance with ASX reporting timelines.

The 2016 results are anticipated to be a marked improvement on those for 2015 as the previously delayed major network upgrade/extension projects for existing customers are expected to contribute to revenues in 2016.

The Board are further able to advise ongoing cash costs have been reduced over the past 2 years and the group is entering 2016 with the cost base at its lowest for many years including reduced interest costs following the planned debt repayments. The Company anticipates the combination of reduced costs and increased revenues will result in a positive EBITDA result in 2016 and depending on other opportunities under discussion with existing and prospective clients, a positive NPAT is forecast.

Further, the Board is confident that the Company's leading technological position remains in place. Continuing substantial research and development investment will ensure this position is preserved and enhanced. Contracts and discussions with world class customers in all our areas of operation support this position.

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About Etherstack plc (ASX:ESK):

Etherstack manufactures and supplies digital communications equipment for public safety and other mission critical networks such as electric utilities. The company has previously supplied its fixed and tactical communications equipment to policing organisations in the United States, Canada and Australia, including the Royal Canadian Mounted Police and the Australian Federal Police.

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