

29 October 2020

ASX Announcement

ETHERSTACK PLC [ASX:ESK]

("Etherstack" or the "Company")

Etherstack plc Trading Update & Appendix 4C

Etherstack is pleased to present commentary on activities in Q3 FY20 and up to the date of this report, to accompany the lodgement of this Appendix 4C cash report for the quarter ending 30 September 2020.

All amounts are in \$USD '000 unless otherwise specified.

Highlights

- Completion of the first stage of the Company's project in Northern Canada for the Royal Canadian Mounted Police, with second stage to commence this current quarter
- Completion of the first stage of the Company's digital radio network deployment in Western Australia for the resources sector
- New technology licensing deal in France with TPL Systemes, expected to contribute approximately \$490 (AUD\$685,000) in revenue recognition for the current financial year
- Commencement of engineering development and integration tasks associated with the previously announced Global Teaming Agreement with Samsung in relation to Mission Critical Push To Talk over LTE solutions
- Recurring support revenues, a key performance indicator, have remained strong year to date and for the quarter. September 2020 quarter support revenues are 14 % higher than the comparative quarter in 2019
- On 1 July 2020 the Company issued 3,333,334 shares to convert Convertible Notes into fully paid ordinary share capital. This transaction strengthens the net asset position and reduces future interest costs.
- Lease signed for new engineering facility in New South Wales to support engineering and manufacturing growth in our Australian operations
- Significant interest in the Company's products by the Australian defence sector resulting in multiple pursuits underway

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Cashflow commentary

- Cash Receipts from customers of \$923 for the quarter which is slightly down from previous quarters. There were 3 reasons for this:
 - September quarter followed a very strong collections quarter for the 30 June quarter in which \$2,248 was collected.
 - While the general impact of Covid 19 is expected to be limited, there has been some minor timing issues with project activity, in particular the Company's project in Northern Canada. Activity and hence cashflow was delayed in the September quarter.
 - Limited project activity in the quarter which can be irregular in nature.
- September quarter cash position is \$767 which has fallen over the quarter as a result of:
 - Reduced cash receipts from customers outlined above
 - Loan repayments of \$280 in the quarter making \$516 in loan repayments for the year to date
 - Sustained investment in intellectual property \$295 for the quarter and \$778 year to date
 - the current quarter result excludes a further \$280 received on 2nd October 2020.
- Payments for directors' fees and salaries for the quarter were \$98.

Etherstack CEO, David Deacon said, "The Company is experiencing great deal flow across all markets with new wins in Canada, the United States, Europe and Australia. Our world class engineering team is demonstrating our ability to repeatedly deliver high complex systems and technology to government and manufacturing clients across the globe. The company is well positioned to capitalise on increased government and infrastructure spend in our traditional markets."

Impact of Covid 19

Management and the Board of Directors are continuously monitoring the impact of Covid 19. In general, the impact on the business is expected to be at the lesser end of the range and while there have been some timing impacts, as noted above, the company has been able to manage these issues to minimise disruption. Notwithstanding, a very high degree of caution will continue to be exercised through this uncertain period. Management and the Board of Directors will continue to monitor the impacts and take all necessary actions to protect the business and all stakeholders.

Authorised for release by David Carter, Company Secretary

Enquiries

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About Etherstack plc (ASX:ESK):

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ETHERSTACK PLC

ABN

34 156 640 532

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (9months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	923	4,473
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs	(129)	(841)
(c) advertising and marketing	(1)	(6)
(d) leased assets	(36)	(124)
(e) staff costs	(602)	(1,649)
(f) administration and corporate costs	(231)	(650)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(12)	(31)
1.6 Income taxes paid	(31)	(29)
1.7 Government grants and tax incentives	28	120
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	USD (91)	USD 1,263

¹ Development costs are capitalised and shown as investing activities in 2.1(e)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (9months) \$USD'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(36)	(55)
	(d) investments	-	-
	(e) intellectual property	(295)	(778)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	USD (331)	USD (833)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	36	36
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(4)	(4)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(280)	(516)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Principal element paid on leased assets	(39)	(100)
3.10	Net cash from / (used in) financing activities	USD (287)	USD (584)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (9months) \$USD'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,480	931
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(91)	1,263
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(331)	(833)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(287)	(584)
4.5	Effect of movement in exchange rates on cash held	(4)	(10)
4.6	Cash and cash equivalents at end of period	USD 767	USD 767

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	767	1,480
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	USD 767	USD 1,480

6. Payments to related parties of the entity and their associates		Current quarter \$USD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	98
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments are director fees to non-executive directors and salaries to executive directors including superannuation.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$USD'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	Estimated cash available for future operating activities	\$USD'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(91)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	767
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	767
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.4

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2020

Authorised by: David Carter

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.