



Nightingale Intelligent Systems, Inc

ARBN 659 369 221

Prospectus for the initial public offering of a minimum of 22,857,143 CDIs and a maximum of 28,571,429 CDIs, and 1 free attaching option for every 3 new CDIs subscribed at an Offer Price of A\$0.35 per CDI to raise between A\$8,000,000 and A\$10,000,000.

Lead Manager
Novus Capital

John Merity, Local Agent

Australian Legal Adviser
Maddocks Lawyers





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Important Notices

Offer

The Offer contained in this Prospectus is an invitation to acquire CHESS Depositary Interests (**CDIs**) and New Options over shares of common stock in Nightingale Intelligent Systems, Inc (ARBN 659 369 221) (**Company** or **Nightingale**). This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act.

Lodgement and Listing

This Prospectus is dated 19 August 2022 and a copy of this Prospectus was lodged with ASIC on that date. This prospectus is a replacement prospectus which replaces the prospectus dated 5 August 2022 and lodged with ASIC on that date (**Original Prospectus**). This Prospectus differs from the Original Prospectus. The differences between this Prospectus and the Original Prospectus are in the nature of updates and clarifications including to (a) further explain the proposed use of funds for working capital purposes, (b) provide information on import and export licences, (c) further clarify the Company's proposed growth strategy and vision, (d) provide details on barriers to entry for new entrants to the market (e) further clarify certain figures, terms and tables used in the Prospectus.

The Company will apply to ASX for admission of the Company to the official list of the ASX and for quotation of the CDIs and New Options on ASX within seven days after the date of this Prospectus. Neither ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Regulation of Nightingale

As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Delaware General Corporation Law (**DGCL**) and applicable U.S. Law.

Expiry Date

No Shares, CDIs or New Options will be allotted or issued or transferred on the basis of this Prospectus later than 13 months after the date the Original Prospectus was lodged with ASIC.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the CDIs or New Options described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Lead Manager in connection with the Offer.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the Company's CDIs, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 4. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the CDIs.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

No offer where offer would be illegal

This Prospectus does not constitute an offer or invitation to apply for CDIs or New Options in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the CDIs or New Options or the Offer or to otherwise permit a public offering of the CDIs or New Options, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional and sophisticated investors as part of the institutional offer in certain jurisdictions as described in Section 10. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Notice to United States residents

The CDIs and New Options being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (**U.S. Securities Act**) or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs and New Options in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the U.S. Securities Act. In addition, any hedging transactions involving the CDIs and New Options or any Shares into which the CDIs and New Options may be converted may not be conducted unless in compliance with the U.S. Securities Act.

FOR U.S. Restrictions

The CDIs and New Options being offered pursuant to this Prospectus are being made available to investors in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act for offers which are made outside of the United States. As a result of relying on the Regulation S exemption, the CDIs and New Options which are issued under Regulation S and the Offer will be "restricted securities" under Rule 144 of the U.S. Securities Act. This means that investors in the Offer will not be able to sell the CDIs or New Options issued to them under the Offer into the United States or to a U.S. Person for a period of 12 months from the date of allotment of the CDIs or New Options under the Offer, unless the resale of the CDIs is registered under the U.S. Securities Act or an exemption is available (such as resales to QIBs pursuant to Rule 144). Please refer to Section 10 for further information.

To enforce the above transfer restrictions, the Company has requested that all CDIs or New Options issued under the Offer, or any Shares into which the CDIs or New Options have been converted prior to the end of the restriction period, contain a legend to the effect that transfer is prohibited except in accordance with Regulation S of the U.S. Securities Act, or pursuant to an available exemption from registration (such as resales to QIBs pursuant to Rule 144); and that hedging transactions involving the CDIs or New Options, or any Shares into which CDIs or New Options may be converted, may not be conducted unless in compliance with the U.S. Securities Act.

In addition, the Company has requested that all CDIs or New Options issued under the Offer bear a "FOR U.S." designation on the ASX. This designation effectively automatically prevents any CDIs or New Options from being sold on the ASX to investors that are U.S. persons other than investors that are QIBs. However, investors will still be able to freely transfer their CDIs or New Options on ASX to any person other than a U.S. person that is not a QIB. Please refer to Section 10 for further information on the "FOR U.S." restrictions which will be placed on the Company's CDIs or New Options. Finally, all investors subscribing for CDIs or New Options under the Offer from outside the US will be required to make certain representations and warranties regarding their non-U.S. status in their Application for CDIs or New Options under the Offer. Please refer to Section 10 for further information.

Financial information and amounts

Section 6 of this Prospectus sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The financial information included in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles prescribed in US GAAP, except where otherwise stated.

The financial information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the US GAAP and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 6.

All financial amounts contained in this Prospectus are expressed in United States dollars and rounded to the nearest \$'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

An exchange rate of A\$1 : US\$0.69 has been used throughout this Prospectus except where expressly noted otherwise.

Disclaimer

No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its Directors, the Lead Manager or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Exposure period

The Corporations Act prohibits the Company from processing Applications for CDIs under the Offer in the seven-day period after the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form by being posted on the following website nightingale.automicipo.com.au. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Electronic prospectus

This Prospectus will be available in electronic form on the following website: nightingale.automicipo.com.au.

Obtaining a copy of the Prospectus

A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Nightingale Offer Information Line on 1300 288 664 between 8.30am and 7.00pm AEST, Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call 1300 288 664.

This Prospectus will be made available in electronic form on the following website: nightingale.automicipo.com.au. Information contained on the website, other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the United States).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a printout of it, you should contact the Company on the above. A paper copy of this Prospectus will be available for Australian residents free of charge by contacting the Nightingale Offer Information Line Tel: 1300 288 664 (between 8.30am to 7.00pm AEST).

Applications for the CDIs or New Options under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at [nightingale.automicipo.com.au](https://www.nightingaleautomicipo.com.au).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act.

Cooling off rights

Cooling off rights do not apply to an investment in CDIs or New Options pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

Privacy

The Company, the Share Registry and the US Share Registry on behalf of the Company, and the Lead Manager may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Security Holder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Securities that you hold). Under the Corporations Act some of this information must be included in the Company's Share Register and/or CDI Register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company, the Share Registry and the US Share Registry may not be able to process your Application.

The Company, the Share Registry and US Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at <https://www.nightingalesecurity.com/investors/>. Alternatively, you can contact the Company by telephone on 1300 288 664 from 8:30am to 7:00pm AEST, Monday to Friday (excluding public holidays) or webmail at hello@automic.com.au and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at <https://www.nightingalesecurity.com/investors/>).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Definitions, abbreviations and time

Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 11.

All references to time in this Prospectus refer to Australian Eastern Standard Time (AEST) unless stated otherwise.

Photographs, data and diagrams

Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which it depicts.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 30 June 2022.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

Key Offer Information

Important Dates

| | |
|---|--------------------------|
| Lodgement of the Original Prospectus with ASIC | 5 August 2022 |
| Lodgement of this Prospectus with ASIC | 19 August 2022 |
| Offer opens | 22 August 2022 |
| Offer closes | 5:00pm, 2 September 2022 |
| Allotment of CDIs and New Options | 12 September 2022 |
| Expected date for dispatch of holding statements | 12 September 2022 |
| Trading of CDIs and New Options commences on ASX (on a normal settlement basis) | 16 September 2022 |

All dates and times above are in AEST. The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

Key Offer Statistics

| | |
|---|--|
| Company | Nightingale Intelligent Systems, Inc ARBN 659 369 221 |
| Proposed ASX Code for the Shares | NGL |
| Securities offered | CDIs (each representing one Share) and 1 New Option for every 3 CDIs subscribed for |
| Ratio of CDIs per Share | 1 CDI : 1 Share |
| Number of Shares on issue as at the date of this Prospectus | 64,363,387 ¹ |
| Offer Price per CDI | A\$0.35 |

| | Minimum Subscription (A\$8m) | Maximum Subscription (A\$10m) |
|---|------------------------------------|-------------------------------------|
| Number of CDIs available under the Offer | 22,857,143 | 28,571,429 |
| New Options available under the Offer (on a 1 for 3 basis for CDIs subscribed for) | 7,619,048 | 9,523,810 |
| Gross proceeds from the Offer | A\$8,000,000 | A\$10,000,000 |
| Total number of CDIs on issue on completion of the Offer (on an undiluted basis) ^{2,3} | 115,128,825 | 120,843,111 |
| Total number of CDIs on issue on completion of the Offer (on a fully diluted basis) ^{2,3} | 135,781,264 | 143,400,312 |
| Indicative market capitalisation on completion of the Offer (on an undiluted basis) ^{2,3,4} | A\$40,295,089 | A\$42,295,089 |
| Indicative market capitalisation on completion of the Offer (on a fully diluted basis) ^{2,3,5,6} | A\$47,523,442 | A\$50,190,109 |

1. Assuming conversion of all preferred stock into Shares and exercise of the warrants as set out in Section 10.3.

2. Assumes all Shares are held in the form of CDIs.

3. On completion of the Offer, in addition to the Securities available under the Offer, the Company will issue:

- 13,899,383 CDIs on conversion of the Convertible Notes as described in Section 10.3 with a valuation cap of \$10,000,000 and a conversion price of A\$0.16 per CDI; and a further 13,608,912 at a 30% discount to the IPO price of A\$0.35.
- 400,000 CDIs to the Lead Manager and Corporate Adviser for services performed with respect to the IPO. Refer to Section 10.7 for further details.
- 7,000,000 RSUs and 400,000 options to Directors and management. Refer to Section 10.8 for further details.

4. Calculated as the total number of Securities on issue following the Offer multiplied by the Offer Price per CDI.

5. Calculated as the total number of Securities on issue following the Offer (on a fully diluted basis) multiplied by the Offer Price per CDI.

6. If all investors under the Bridge Financing convert to CDIs, an additional 3,307,937 will be issued for a total of 139,089,201 CDIs at the Minimum Subscription on a fully diluted basis or 146,708,249 at the Maximum Subscription on a fully diluted basis. Refer to Section 9.6 for further details.

Chairman's Letter

Dear investor

On behalf of the Board and the team, it gives me great pleasure to invite you to become a securityholder of Nightingale Intelligent Systems, Inc (**Nightingale**).

Experienced in robotics and technology, Jack Wu and John Hsu founded Nightingale in 2014 to create autonomous aerial security robotics systems to solve the many issues associated with securing large critical infrastructure assets for defence and for enterprises.

From 2014 to 2017 the Company developed the Nightingale Robotic Aerial Security (**RAS**) system, an autonomous perimeter security system using its proprietary Blackbird UAV, a mission-ready drone which can be airborne in less than 30 seconds.



Nightingale RAS systems have been operating at customers' locations since late 2018 as an autonomous 24/7 security system-as-a-service for enterprise customers. Nightingale RAS systems are currently deployed in the United States, Saudi Arabia, Poland, Germany, Spain, Mexico, Brazil and Australia. Typical locations secured using the Nightingale RAS system include manufacturing, energy generation and storage facilities, pharmaceutical research, petroleum chemical, military installations, and other critical infrastructure.

US\$1.94 million (A\$2.81 million) in revenue for FY 2021 was generated with marquee customers including INEOS, Los Angeles Department of Water & Power, the US Air Force, Lucid Motors and more, although it should be noted that the Company is currently loss making. Nightingale to date has completed over 12,000 successful flight missions with its customers.

The Company has received over US\$25 million (A\$36.25 million) in funding and is now at a tipping point, with a strong pipeline of commercial opportunities. The Directors believe the opportunity in critical infrastructure security is substantial. We at Nightingale are excited by the prospects of the business as outlined in the Prospectus.

Under this Prospectus, Nightingale is seeking funds to progress its strategic growth plan through the issue of CHES Depository Interests (**CDIs**) and New Options. CDIs are securities available for foreign entities seeking to list on ASX. The CDIs and New Options represent the beneficial ownership in shares of common stock of Nightingale.

Through this Prospectus, Nightingale is making an offer to raise between a minimum of A\$8,000,000 and up to a maximum of A\$10,000,000 at an Offer Price of A\$0.35 per CDI.

This Prospectus contains detailed information about the Offer, the industry Nightingale operates in, the Nightingale business and our historical financial performance. An investment in Nightingale involves a range of company specific and industry wide risks; some of which may not be within the Company's control. The key risks relevant to an investment in the Company are discussed in detail in Section 4.

Applications for CDIs and New Options can only be made by completing and lodging an Application Form accompanying this Prospectus. Instructions on how to apply for CDIs and New Options are set out in Section 8 and on the Application Form.

I encourage you to read the Prospectus carefully and in its entirety before making an investment decision and further recommend that you seek professional advice from your accountant, financial adviser, stockbroker, lawyer, or other professional adviser, if required.

On behalf of my fellow Directors and our management team, we look forward to welcoming you as a Shareholder.

Yours faithfully,

Denis Hébert
Non-Executive Chair
19 August 2022

1. Investment Overview

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Shares under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 About the Company

| Question | Answer | More Information |
|--|---|-----------------------|
| What is the Company? | Nightingale Intelligent Systems, Inc ARBN 659 369 221 is a limited liability company incorporated in Delaware, United States and based Silicon Valley, United States. | Section 3.2 |
| What is the business of the Company? | Nightingale provides unmanned aerial vehicles (UAV) for commercial applications. The first application chosen by the Company is physical security. The Company primarily focuses on business verticals of Enterprise, Defence and Emergency Response linked to critical infrastructure. | Section 3.2 |
| Where does the Company operate? | Nightingale is a U.S. based company and the majority of its business activities occur in the U.S. The Company has also made sales in the EU, Australia, Saudi Arabia, and Brazil. Historically, deployment has occurred onsite at customer locations. With COVID-19 affecting travel, deployment has been successfully completed remotely. In line with this, all customer service to clients comes from the U.S. | Sections 3.2 and 3.10 |
| What are the Company's key products and services? | <p>Blackbird UAV</p> <p>The Blackbird UAV has been designed to meet security, surveillance and inspection needs of critical infrastructure asset owners and managers.</p> <p>The Blackbird UAV is a fully autonomous quadcopter style aerial vehicle that can fly patrols day and night, in varying weather conditions such as rain and snow, responds to alarms, transmits live video, lands, recharges, communicates, coordinates, and reports maintenance needs.</p> <p>Base station</p> <p>The Nightingale base station houses, charges, and provides command and control for the Blackbird UAV allowing it to be mission-ready 24/7. When the Blackbird UAV lands on the base station after a mission, it immediately begins charging through contact points in its legs and the gold-plated nickel charging plates on the base station. It takes approximately 45 minutes to recharge the Blackbird UAV to 100%. This contact charging solution has been proven reliable in all sorts of challenging weather environments.</p> <p>Intelligent Mission Control Software</p> <p>Nightingale RAS is managed by the Company's Intelligent Mission Control Software called Mission Manager, which provides live command and control, actionable intelligence for surveillance, and fleet coordination from anywhere in the world.</p> | Section 3.3 |
| Who uses the Company's products? | The primary verticals targeted are Enterprise, Defence and Emergency Response linked to critical infrastructure locations such as defence sites, data centres and pharmaceutical laboratories. The Nightingale Robotic Aerial Security (RAS) System is an autonomous perimeter security system to guard these critical infrastructure locations. | Sections 2.1 and 3.5 |

| Question | Answer | More Information |
|---|--|------------------------|
| What is the Company's business model and how does it generate revenue? | <p>Since commercial launch in 2018, Nightingale generates revenues in several ways:</p> <ul style="list-style-type: none"> • Product sales: Where Nightingale sells RAS systems (both hardware and software) to customers. • Product leasing: Where Nightingale owns a RAS system and leases it for use on 1–3-year contracts. • Robot-as-a-Service (Raas): A service solution that includes the technology platform, maintenance, repair and upgrade (MRU). The purpose of the MRU is to ensure the technology remains up-to-date and simplifies operation for customers. <p>Financial Highlights</p> <p>FY 2021</p> <ul style="list-style-type: none"> • Nightingale had 17 customers in 8 countries; and • Nightingale generated US\$1.94 Million (A\$2.81 million) in revenue and also secured deferred revenue of approximately US\$0.89 million (A\$1.29 million). <p>FY 2020</p> <ul style="list-style-type: none"> • US\$0.91 million (A\$1.33 million) in revenue was generated for financial year 2020 during the COVID-19 pandemic. <p>FY 2019</p> <ul style="list-style-type: none"> • US\$0.94 million (A\$1.36 million) in revenue was generated for financial year 2019. | Section 3.7 |
| What is the Company's strategy? | <p>Nightingale has a two-step sales strategy:</p> <ol style="list-style-type: none"> 1. Focus on large corporate customers which have a tangible requirement for Robotic Aerial Services; and 2. 'Land and expand' by securing small contracts as an entry point with large customers then increasing both number of systems deployed and location with each customer. | Section 3.11 |
| Who owns the intellectual property behind the Company's products? | The intellectual property which includes its patents, designs and trade secrets is wholly owned by the Company. | Section 3.13 |
| What is the Company's growth strategy? | <p>The development of the Nightingale RAS system is complete and RAS systems are available to the market with commercial contracts in place.</p> <p>Nightingale believes that its future success depends upon its ability to rapidly develop new products and services and, add enhancements to and new applications for its products and services. By investing in research and development, the Company will seek to deliver additional innovative robotics solutions that address market needs within target markets, enabling it to create new opportunities for growth (see Section 3.14 for more details).</p> | Sections 3.11 and 3.14 |
| Who does the Company compete with? | <p>Direct Competitors: Companies with technology and business models that are directly comparable to Nightingale include Percepto, Azur, Aerobotics and American Robotics.</p> <p>Indirect Competitors: Companies with similar technologies but which do not have complete overlap and operate based on a different business model and/or market segment include DJI, Skydio and EasyAerial</p> | Section 2.6 |

| Question | Answer | More Information |
|---|---|------------------|
| What are the key highlights of the Offer? | <p>The key investment highlights of the Offer include the following:</p> <ul style="list-style-type: none"> • Opportunity to gain immediate exposure to the defence and security industry. • Clear growth strategy and opportunities to build revenue. • Well-established relationship with INEOS, Los Angeles Department of Water & Power, the US Air Force, Lucid Motors and more. • Potential to grow multiple revenue streams from product sales, product leasing and RaaS. • Experienced management team with an aligned focus on building customer and shareholder value. | |
| What are the key competitive advantages of the Company's business? | <p>Nightingale provides autonomous aerial security through its RAS system which provide advantages over physical security systems, including addressing the following key issues:</p> <ul style="list-style-type: none"> • Automated patrols: Automation is the perfect solution for repetitive tasks. Scheduled patrols from the air also offer more visibility and detailed record for investigation. • Rapid response: Flying is the fastest way to get eyes on the event for a large area. Integration with existing sensors and alarms raises the value of legacy infrastructure. • Cost effective coverage: It is much easier to cover a large area from the air. Seeing a live video assists in emergency situational awareness. | Section 3.4 |
| What are the key risks associated with the Company? | <p>Key risks to the business include:</p> <ol style="list-style-type: none"> 1. Loss making: The Company has historically been and is currently loss making, and is not cash flow positive. While the funds raised under the Offer are considered sufficient to meet the current objectives of the Company, additional funding for further opportunities may be unable to be raised. If this occurs prior to the Company become profitable (if at all), there is a risk the Company will not have the funds to remain operational. 2. Regulatory risk: The drone industry is regulated by the FAA in the United States and is also closely regulated in other countries where it operates. There is a risk that new regulations could be introduced or regulations could change impacting the Company's capacity to operate and runs the risk of not keeping up to date and complying with regulations in which it operates. 3. Competitive risk: There is a risk that new technologies and competitors may emerge that render the Nightingale business model obsolete. Other drone and robotics solutions are an ongoing threat and existing or new competitors may be considerably larger and better financed than Nightingale. 4. Key customers risk: The Company derives a major source of its revenue from its arrangement with Motasim Faleh Hajaj Technology Company, Ltd and affiliated entities (Hajaj), representing approximately 33.9% of revenue for 2021. There is a risk that if the Company's relationship with Hajaj or any of its key customers terminated, the Company could be adversely affected. | Section 4 |

| Question | Answer | More Information |
|---|---|--------------------|
| What are the key risks associated with the Company? (cont'd) | <p>6. Data loss risk: The Company stores data in its own systems and networks as well as with third-party providers. There is a risk that this data may be lost, stolen or corrupted which could have an adverse effect on the Company and its reputation.</p> <p>7. Government contracts risk: The Company expects to generate a portion of its revenue from the United States as well as foreign governments and their agencies. Reliance on these customers may be detrimental to the Company as these customers may act against the Company's interests, such as: awarding or terminating contracts at their convenience; cancel multi-year contracts and related orders if funds become unavailable; and shift their spending priorities.</p> <p>8. R&D risk: The Company is reliant on continued R&D to improve its solutions and develop new applications for its technology. There is a risk that new findings may not have a material benefit to the Company's operations.</p> <p>9. Health & Safety / Public Liability: Drones may fail, whether by human user error or by product defect, which could result in injury, loss of life or damage to property. While the Company currently has in place what it reasonably believes to be sufficient levels of insurance to cover potential claims, there is a possibility that events may arise which are not covered by the Company's insurance policies. If such an eventuality were to occur, it may result in significant liability to the Company and therefore impact its financial performance and/or cause substantial damage to its reputation.</p> | <p>Section 4.1</p> |
| Who are the Directors and key management of the Company? | <p>The Directors of the Company are:</p> <ul style="list-style-type: none"> • Denis Hébert – Independent Non-Executive Chairman • Jack Wu – Chief Executive Officer • Alan Braverman – Independent Non-Executive Director • Stratos Karousos – Independent Non-Executive Director • Tony Zhang – Non-Executive Director <p>See Section 5.1 for further details regarding the background of the Directors.</p> <p>The key management of the Company are:</p> <ul style="list-style-type: none"> • Jack Wu – Executive Director & Chief Executive Officer • John Hsu – Chief Technology Officer • Michael Tschiderer – Chief Financial Officer <p>See Section 5.3 for further details of the qualifications and experience of the key management team.</p> | <p>Section 5.1</p> |

| Question | Answer | More Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------------|---------------------------------|------------------------------------|-------------------------------------|---|--|---|--|---------------------------|------------|-----------|-----------|--------|--------|--------|--------|------------------------|------------|-----------|-----------|--------|--------|--------|-------|---------------------------|-----------|-----------|-----------|-------|-------|-------|-------|-----------------------------|-----------|-----------|-----------|-------|-------|-------|-------|------------------|-------------------|------------------|------------------|---------------|---------------|---------------|---------------|-------------------------|------------|---|---|--------|--------|--------|--------|--------------------|---|---------|---|-------|-------|-------|-------|--------------|-------------------|------------------|------------------|---------------|---------------|---------------|---------------|-------------|
| Will any related party have a significant interest in the Company following completion of the Offer? | <table><thead><tr><th>Name</th><th>CDIs</th><th>Options</th><th>Number of RSUs</th><th>Min. \$8m % after IPO (un-diluted)</th><th>Max \$10m % after IPO (un-diluted)</th><th>Min. AS\$8m % after IPO (fully diluted)</th><th>Max. AS\$10m % after IPO (fully diluted)</th></tr></thead><tbody><tr><td>Jack Wu</td><td>4,250,000</td><td>2,200,000</td><td>3,500,000</td><td>8.64%</td><td>8.23%</td><td>3.69%</td><td>3.52%</td></tr><tr><td>John Hsu</td><td>4,250,000</td><td>2,200,000</td><td>3,500,000</td><td>8.64%</td><td>8.23%</td><td>3.69%</td><td>3.52%</td></tr><tr><td>Denis Hébert¹</td><td>1,606,573</td><td>100,000</td><td>–</td><td>1.48%</td><td>1.41%</td><td>1.40%</td><td>1.33%</td></tr><tr><td>Alan Braverman²</td><td>3,607,122</td><td>–</td><td>–</td><td>3.13%</td><td>2.98%</td><td>3.13%</td><td>2.98%</td></tr><tr><td>Stratos Karousos</td><td>–</td><td>155,927</td><td>–</td><td>0.14%</td><td>0.13%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>Tony Zhang³</td><td>14,480,907</td><td>–</td><td>–</td><td>12.58%</td><td>11.98%</td><td>12.58%</td><td>11.98%</td></tr><tr><td>Michael Tschiderer</td><td>–</td><td>600,000</td><td>–</td><td>0.52%</td><td>0.50%</td><td>0.00%</td><td>0.00%</td></tr><tr><td>Total</td><td>28,194,602</td><td>5,255,927</td><td>7,000,000</td><td>35.14%</td><td>33.47%</td><td>24.49%</td><td>23.33%</td></tr></tbody></table> <p>1. Denis Hébert holds shares under the entity name The Hébert Trust.</p> <p>2. Alan Braverman holds shares under the entities Giant Pixel Corporation Inc and Triple AB LP.</p> <p>3. Tony Zhang holds shares under the entity name BVM Fund LLC.</p> | Name | CDIs | Options | Number of RSUs | Min. \$8m % after IPO (un-diluted) | Max \$10m % after IPO (un-diluted) | Min. AS\$8m % after IPO (fully diluted) | Max. AS\$10m % after IPO (fully diluted) | Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | 8.64% | 8.23% | 3.69% | 3.52% | John Hsu | 4,250,000 | 2,200,000 | 3,500,000 | 8.64% | 8.23% | 3.69% | 3.52% | Denis Hébert ¹ | 1,606,573 | 100,000 | – | 1.48% | 1.41% | 1.40% | 1.33% | Alan Braverman ² | 3,607,122 | – | – | 3.13% | 2.98% | 3.13% | 2.98% | Stratos Karousos | – | 155,927 | – | 0.14% | 0.13% | 0.00% | 0.00% | Tony Zhang ³ | 14,480,907 | – | – | 12.58% | 11.98% | 12.58% | 11.98% | Michael Tschiderer | – | 600,000 | – | 0.52% | 0.50% | 0.00% | 0.00% | Total | 28,194,602 | 5,255,927 | 7,000,000 | 35.14% | 33.47% | 24.49% | 23.33% | Section 5.4 |
| Name | CDIs | Options | Number of RSUs | Min. \$8m % after IPO (un-diluted) | Max \$10m % after IPO (un-diluted) | Min. AS\$8m % after IPO (fully diluted) | Max. AS\$10m % after IPO (fully diluted) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | 8.64% | 8.23% | 3.69% | 3.52% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| John Hsu | 4,250,000 | 2,200,000 | 3,500,000 | 8.64% | 8.23% | 3.69% | 3.52% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Denis Hébert ¹ | 1,606,573 | 100,000 | – | 1.48% | 1.41% | 1.40% | 1.33% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alan Braverman ² | 3,607,122 | – | – | 3.13% | 2.98% | 3.13% | 2.98% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stratos Karousos | – | 155,927 | – | 0.14% | 0.13% | 0.00% | 0.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tony Zhang ³ | 14,480,907 | – | – | 12.58% | 11.98% | 12.58% | 11.98% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Michael Tschiderer | – | 600,000 | – | 0.52% | 0.50% | 0.00% | 0.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 28,194,602 | 5,255,927 | 7,000,000 | 35.14% | 33.47% | 24.49% | 23.33% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Who are the existing substantial shareholders and what will their interests be following completion of the Offer? | <table><thead><tr><th>Name</th><th>Shares on completion of the IPO</th><th>Options</th><th>RSUs</th><th>Min. \$8m % after IPO (un-diluted)</th><th>Min. \$10m % after IPO (un-diluted)</th><th>Min. \$8m % after IPO (fully diluted)</th><th>Max\$10m % after IPO (fully diluted)</th></tr></thead><tbody><tr><td>BVM Fund LLC¹</td><td>14,480,907</td><td>–</td><td>–</td><td>12.58%</td><td>11.98%</td><td>10.66%</td><td>10.10%</td></tr><tr><td>Motasim Faleh H. Hajaj</td><td>13,792,660</td><td>–</td><td>–</td><td>11.98%</td><td>11.41%</td><td>10.16%</td><td>9.62%</td></tr><tr><td>Jack Wu</td><td>4,250,000</td><td>2,200,000</td><td>3,500,000</td><td>3.69%</td><td>3.52%</td><td>7.33%</td><td>6.94%</td></tr><tr><td>John Hsu</td><td>4,250,000</td><td>2,200,000</td><td>3,500,000</td><td>3.69%</td><td>3.52%</td><td>7.33%</td><td>6.94%</td></tr><tr><td>Total</td><td>36,773,657</td><td>4,400,000</td><td>7,000,000</td><td>31.94%</td><td>30.43%</td><td>35.48%</td><td>33.59%</td></tr></tbody></table> <p>1. BVM Fund LLC is controlled by Director Tony Zhang.</p> | Name | Shares on completion of the IPO | Options | RSUs | Min. \$8m % after IPO (un-diluted) | Min. \$10m % after IPO (un-diluted) | Min. \$8m % after IPO (fully diluted) | Max\$10m % after IPO (fully diluted) | BVM Fund LLC ¹ | 14,480,907 | – | – | 12.58% | 11.98% | 10.66% | 10.10% | Motasim Faleh H. Hajaj | 13,792,660 | – | – | 11.98% | 11.41% | 10.16% | 9.62% | Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% | John Hsu | 4,250,000 | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% | Total | 36,773,657 | 4,400,000 | 7,000,000 | 31.94% | 30.43% | 35.48% | 33.59% | Section 8.11 | | | | | | | | | | | | | | | | | | | | | | | | |
| Name | Shares on completion of the IPO | Options | RSUs | Min. \$8m % after IPO (un-diluted) | Min. \$10m % after IPO (un-diluted) | Min. \$8m % after IPO (fully diluted) | Max\$10m % after IPO (fully diluted) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BVM Fund LLC ¹ | 14,480,907 | – | – | 12.58% | 11.98% | 10.66% | 10.10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motasim Faleh H. Hajaj | 13,792,660 | – | – | 11.98% | 11.41% | 10.16% | 9.62% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| John Hsu | 4,250,000 | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 36,773,657 | 4,400,000 | 7,000,000 | 31.94% | 30.43% | 35.48% | 33.59% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What are the Company's material contracts? | <p>The Company's material contracts include:</p> <ul style="list-style-type: none">• Hajaj regional distributor agreement – Middle East;• D13 distributor agreement – Australia;• US Air Force contract;• Supply and manufacturing agreements;• Novus mandate letter;• Office lease; and• Bridge Financing agreement. | Section 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Will the Company pay dividends? | <p>The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate declaring any dividends in the foreseeable future.</p> | Section 6.14 and 10.12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | | | | | | | More Information |
|--|--|---------------------|---------|-------------------|----------------------|---------|-------------------|------------------|
| What will the Company use the proceeds raised from the Offer for? | Use of Funds | Minimum \$8,000,000 | | | Maximum \$10,000,000 | | | |
| | | A\$ '000 | US '000 | % of funds raised | A\$ '000 | US '000 | % of funds raised | |
| | Sales and marketing | 1,585 | 1,093 | 20% | 2,310 | 1,592 | 23% | |
| | Research and development | 1,798 | 1,240 | 22% | 2,439 | 1,682 | 24% | |
| | Repayment of Bridge Financing | 550 | 379 | 7% | 550 | 379 | 5% | |
| | Costs of the Offer | 1,708 | 1,178 | 22% | 1,830 | 1,262 | 18% | |
| | Working capital | 2,359 | 1,627 | 29% | 2,871 | 1,985 | 29% | |
| | Total uses | 8,000 | 5,517 | 100% | 10,000 | 6,900 | 100% | |
| 1. The Company will use working capital to pay for deployment expenses such as manufacturing UAS and Base components, establishing a new office in Australia and Europe and engaging approximately 8-12 new staff members, marketing, advertising and other general administrative costs such as travel, directors' fees, legal, audit and drone registration costs. | | | | | | | | |
| Who is the issuer of the Securities and this Prospectus? | Nightingale Intelligent Systems, Inc ARBN 659 369 221 is the issuer of the CDIs and New Options. This Prospectus is issued by Nightingale and this Prospectus is for the offer of CDIs and New Options. | | | | | | | n/a |

1.2 About the Offer

| Question | Answer | More Information |
|---|---|------------------|
| What is the Offer? | <p>The Company is offering CDIs and New Options for subscription to raise between a minimum of A\$8,000,000 and maximum of A\$10,000,000.</p> <p>Investors in the Company will also receive, at no cost, 1 New Option for every 3 CDIs subscribed for under the Offer.</p> | Section 8.1 |
| What do Applicants pay when applying under the Offer? | All Applicants under the Offer will pay A\$0.35 per CDI. | Section 8.5 |
| Who is the Lead Manager to the Offer? | Novus Capital Limited. | Section 9.4 |
| Why is Nightingale seeking to list on the ASX? | <p>Listing on ASX will significantly increase the Company's credibility, transparency, and ability to represent itself on procurement/tender opportunities given a public listing profile. Additionally, listing on ASX will provide the Company with access to growth capital, institutional investment and will support and accelerate the Company's growth strategy. Other specific factors include:</p> <ul style="list-style-type: none"> To support the development and launch of new products in order to sell to existing customers. See Section 3.14 for more details. The Australian Robotic and Aerial Services industry is a key market for Nightingale business strategy and will be a focus of expansion via its partnership with Department 13 and expanding offices and staff in Australia. To assist Nightingale in attracting and retaining quality staff. | n/a |

| Question | Answer | More Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|----------------------------|--|--|---|-------------------|------------|------------|-------------------------|------------|------------|-----------------------------|------------|------------|--------------|---------|---------|--------------|--------------------|--------------------|------|-----------|-----------|------------------|-----------|-----------|-------------|-----------|-----------|------------------------------|--------|--------|--|--------------------|--------------------|--------------|
| What will the capital structure of the Company be following completion of the Offer? | <p>On completion of the Offer, the capital structure of the Company will be as set out below:</p> <table> <tr> <th rowspan="2">Shareholder Class</th><th colspan="2">On completion of the Offer</th></tr> <tr> <th>Number of CDIs/Shares Minimum A\$8,000,000</th><th>Number of CDIs/Shares Maximum A\$10,000,000</th></tr> <tr> <td>Shares before IPO</td><td>64,363,387</td><td>64,363,387</td></tr> <tr> <td>Convertible Noteholders</td><td>27,508,295</td><td>27,508,295</td></tr> <tr> <td>CDIs issued under the Offer</td><td>22,857,143</td><td>28,571,429</td></tr> <tr> <td>Adviser CDIs</td><td>400,000</td><td>400,000</td></tr> <tr> <td>Total</td><td>115,128,825</td><td>120,843,111</td></tr> <tr> <td>RSUs</td><td>7,000,000</td><td>7,000,000</td></tr> <tr> <td>Employee Options</td><td>6,012,927</td><td>6,012,927</td></tr> <tr> <td>New Options</td><td>7,619,048</td><td>9,523,810</td></tr> <tr> <td>Silicon Valley Bank Warrants</td><td>20,464</td><td>20,464</td></tr> <tr> <td>Total CDIs on a fully diluted basis</td><td>135,781,264</td><td>143,400,312</td></tr> </table> <p>1. 400,000 CDIs will be issued to the Lead Manager and Corporate Advisers as part of their fees for the IPO for services in connection with the Offer. See Sections 10.4 and 10.16.</p> <p>2. If all investors under the Bridge Financing convert to CDIs, an additional 3,307,937 CDIs will be issued in September 2022.</p> | Shareholder Class | On completion of the Offer | | Number of CDIs/Shares Minimum A\$8,000,000 | Number of CDIs/Shares Maximum A\$10,000,000 | Shares before IPO | 64,363,387 | 64,363,387 | Convertible Noteholders | 27,508,295 | 27,508,295 | CDIs issued under the Offer | 22,857,143 | 28,571,429 | Adviser CDIs | 400,000 | 400,000 | Total | 115,128,825 | 120,843,111 | RSUs | 7,000,000 | 7,000,000 | Employee Options | 6,012,927 | 6,012,927 | New Options | 7,619,048 | 9,523,810 | Silicon Valley Bank Warrants | 20,464 | 20,464 | Total CDIs on a fully diluted basis | 135,781,264 | 143,400,312 | Section 10.4 |
| Shareholder Class | On completion of the Offer | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Number of CDIs/Shares Minimum A\$8,000,000 | Number of CDIs/Shares Maximum A\$10,000,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shares before IPO | 64,363,387 | 64,363,387 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Convertible Noteholders | 27,508,295 | 27,508,295 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CDIs issued under the Offer | 22,857,143 | 28,571,429 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adviser CDIs | 400,000 | 400,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 115,128,825 | 120,843,111 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| RSUs | 7,000,000 | 7,000,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Employee Options | 6,012,927 | 6,012,927 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Options | 7,619,048 | 9,523,810 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Silicon Valley Bank Warrants | 20,464 | 20,464 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total CDIs on a fully diluted basis | 135,781,264 | 143,400,312 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Will any Existing Holders be subject to escrow arrangements? | Certain existing Shareholders will enter into escrow arrangements under which they will be restricted from dealing with the escrowed securities they will hold on completion of the Offer until expiration of the relevant escrow period. These restrictions are either imposed by the ASX or have been agreed to voluntarily | Section 10.10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Who can participate in the Offer? | <p>The Broker Firm Offer is open to Australian resident Retail Investors who have received a firm allocation from their broker.</p> <p>The Institutional Offer is open to certain Institutional Investors in Australia and a number of other authorised jurisdictions. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer.</p> <p>The Chairman's List Offer is open to persons in Australia and United States who have received a Chairman's List invitation from the Company.</p> | Section 8.6, 8.7 and 8.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Is there a minimum amount to be raised under the Offer? | The minimum amount which must be raised under this Prospectus is A\$8,000,000. Subject to any legal extension, if the minimum subscription has not been raised within 4 months after the date of this Prospectus, the Company will not issue any CDIs or New Options and will repay all application monies for the CDIs and New Options within the time prescribed under the Corporations Act, without interest. | Section 8.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | More Information |
|--|---|------------------|
| What are CDIs? | The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. Nightingale is a company incorporated under the laws of the State of Delaware in the U.S., which does not recognise the CHESS system of holding securities. Accordingly, to enable companies such as Nightingale to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. CDIs represent the beneficial interest in the underlying shares in a foreign company such as Nightingale and are traded in a manner similar to shares of Australian companies listed on the ASX. Each CDI in Nightingale is equivalent to one Share. | Section 10.12 |
| What rights and liabilities attach to the CDIs being offered? | The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company. There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Section 10. | Section 10 |
| What law governs Nightingale? | As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the DGCL and applicable U.S. Law, including in relation to laws and regulations relating to takeovers. Further information about the differences between the laws governing the Company as a U.S. company with laws governing the Company as an Australian publicly listed company can be found in Section 10. | Section 10.11 |
| Will the CDIs be quoted on the ASX? | The Company will apply to ASX within seven days of the date of this Prospectus for quotation of all CDIs on the ASX under the ticker code NGL. | Section 8.12 |
| How do I apply for CDIs and New Options under the Offer? | The process for applying for CDIs and New Options in the Company is set out in Section 8. Retail Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Lead Manager may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided. | Section 8 |
| What are the New Options? | Each New Option gives the investor a right to subscribe for one CDI or Share at a fixed exercise price within a specified period. Investors will receive 1 New Option for every 3 CDIs subscribed for under the IPO. The Company will be applying for quotation of all New Options on the ASX. | Section 10.6 |
| What is the exercise price per New Option? | The Option exercise price is A\$0.50. | Section 8.5 |
| What do investors need to do to receive their New Options? | Investors do not need to take any action to receive the Options. The number of Options issued to each investor will be shown on the Option Holding Statement which will be posted to investors shortly after completion of the Offer. | Section 10.6 |
| Do investors need to pay anything to receive their New Options? | No, investors do not need to pay anything to receive their New Options. | Section 10.6 |

| Question | Answer | More Information |
|---|--|------------------|
| What is the maximum amount of money that may be raised if all New Options are exercised? | A maximum of A\$3,809,524 would be raised if all New Options are exercised based on the Minimum Subscription and A\$4,761,905 if all New Options are exercised based on the Maximum Subscription. | Section 8.5 |
| How do investors exercise their New Options? | New Options may be exercised wholly or in part by delivery to the Registry of a duly completed Option Exercise Form, signed by the registered holder of the New Option, together with the applicable payment to the Share Registry of A\$0.50 per New Option being exercised. Refer to section 10.6 for further details. | Section 10.6 |
| When must the New Options be exercised by? | New Options must be exercised by 16 September 2025, being 3 years following the anticipated date of listing on the ASX. | Section 10.6 |
| Will the New Options be listed on the ASX? | An application will be made to the ASX for the New Options to be quoted on the ASX. The New Options are expected to be listed on the ASX under the code "NGLO". New Options may be transferred or transmitted in any manner approved by the ASX. There is no guarantee the New Options will trade on the ASX or that there will be a liquid market for the New Options. If New Options are exercised, there is no guarantee that CDIs issued on exercise of those New Options will trade above the exercise price paid for those CDIs. | Section 10.6 |
| What are the fees and costs of the Offer? | The Company will pay to the Lead Manager a lead manager fee equal to 6% (excluding GST) of the total amount raised by the Company under the Offer. The Company will also issue the Lead Manager 200,000 CDIs upon Completion of the Offer. | Section 10.16 |
| Is the Offer underwritten? | No, the offer is not underwritten. | Section 8.2 |
| Is there a minimum amount of CDIs which I must apply for under the Offer? | Applications must be for a minimum of 6,000 CDIs and in multiples of 1,000 CDIs thereafter. | Section 8.5 |
| Is there a cooling-off period? | No. | n/a |
| How can I obtain further information? | If you would like more information or have any questions relating to the Offer, you can contact the Automic Group on 1300 288 664. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser. | n/a |

1.3 Key Financial Information

| Question | Answer | More Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|------------------------------------|--|---|--|---|-----|-----|-------|--------------|------|-----|-----|----------------------|---------|---------|---------|--|---------|---------|---------|--|------------------------------------|--|---|--|---|----------------------|-------|-------|--------|-------|--------|--------------------------|-----|-----|-----|-----|-----|--------------|-------|-------|--------|-------|--------|---------------------------|-------|-------|-------|-------|-------|-------------------------------|-------|-----|-------|-----|-------|-------------------|-------|-------|-------|-------|-------|------------|---------|-------|-------|-------|--------|--------------|---------|-------|-------|-------|--------|----------------------|
| What is the key financial information you need to know about the Company's financial position, performance and prospects? | <p>The table below presents the summary audited historical profit and loss for FY2021, FY2020 and FY2019. Further discussion regarding the summarised historical statement of profit and loss and other comprehensive income is set out in Section 6.</p> <table><tr><th>SUS'000</th><th>FY19A</th><th>FY20A</th><th>FY21A</th></tr><tr><td>Revenue</td><td>944</td><td>921</td><td>1,939</td></tr><tr><td>Gross profit</td><td>(67)</td><td>125</td><td>703</td></tr><tr><td>Loss from operations</td><td>(5,840)</td><td>(3,248)</td><td>(3,409)</td></tr><tr><td>Net loss after finance income/(costs) and income tax</td><td>(7,877)</td><td>(3,512)</td><td>(3,400)</td></tr></table> <p>The table below presents the summary pro-forma balance sheet as at 31 December 2021.</p> <table><tr><th></th><th>As at 31-Dec-21 Audited (US\$'000)</th><th>Minimum pro forma as at 31-Dec-21 (US\$'000)</th><th>Minimum pro forma as at 31-Dec-21 (A\$'000)</th><th>Maximum pro forma as at 31-Dec-21 (US\$'000)</th><th>Maximum pro forma as at 31-Dec-21 (A\$'000)</th></tr><tr><td>Total current assets</td><td>2,438</td><td>7,586</td><td>10,992</td><td>8,884</td><td>12,874</td></tr><tr><td>Total non-current assets</td><td>356</td><td>356</td><td>517</td><td>356</td><td>517</td></tr><tr><td>Total assets</td><td>2,795</td><td>7,942</td><td>11,509</td><td>9,240</td><td>13,391</td></tr><tr><td>Total current liabilities</td><td>1,309</td><td>1,101</td><td>1,596</td><td>1,101</td><td>1,596</td></tr><tr><td>Total non-current liabilities</td><td>3,832</td><td>869</td><td>1,259</td><td>869</td><td>1,259</td></tr><tr><td>Total liabilities</td><td>5,141</td><td>1,970</td><td>2,855</td><td>1,970</td><td>2,855</td></tr><tr><td>Net assets</td><td>(2,346)</td><td>5,972</td><td>8,654</td><td>7,270</td><td>10,536</td></tr><tr><td>Total equity</td><td>(2,346)</td><td>5,972</td><td>8,654</td><td>7,270</td><td>10,536</td></tr></table> | SUS'000 | FY19A | FY20A | FY21A | Revenue | 944 | 921 | 1,939 | Gross profit | (67) | 125 | 703 | Loss from operations | (5,840) | (3,248) | (3,409) | Net loss after finance income/(costs) and income tax | (7,877) | (3,512) | (3,400) | | As at 31-Dec-21 Audited (US\$'000) | Minimum pro forma as at 31-Dec-21 (US\$'000) | Minimum pro forma as at 31-Dec-21 (A\$'000) | Maximum pro forma as at 31-Dec-21 (US\$'000) | Maximum pro forma as at 31-Dec-21 (A\$'000) | Total current assets | 2,438 | 7,586 | 10,992 | 8,884 | 12,874 | Total non-current assets | 356 | 356 | 517 | 356 | 517 | Total assets | 2,795 | 7,942 | 11,509 | 9,240 | 13,391 | Total current liabilities | 1,309 | 1,101 | 1,596 | 1,101 | 1,596 | Total non-current liabilities | 3,832 | 869 | 1,259 | 869 | 1,259 | Total liabilities | 5,141 | 1,970 | 2,855 | 1,970 | 2,855 | Net assets | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 | Total equity | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 | Sections 6.4 and 6.7 |
| | SUS'000 | FY19A | FY20A | FY21A | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Revenue | 944 | 921 | 1,939 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Gross profit | (67) | 125 | 703 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Loss from operations | (5,840) | (3,248) | (3,409) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Net loss after finance income/(costs) and income tax | (7,877) | (3,512) | (3,400) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | As at 31-Dec-21 Audited (US\$'000) | Minimum pro forma as at 31-Dec-21 (US\$'000) | Minimum pro forma as at 31-Dec-21 (A\$'000) | Maximum pro forma as at 31-Dec-21 (US\$'000) | Maximum pro forma as at 31-Dec-21 (A\$'000) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Total current assets | 2,438 | 7,586 | 10,992 | 8,884 | 12,874 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Total non-current assets | 356 | 356 | 517 | 356 | 517 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Total assets | 2,795 | 7,942 | 11,509 | 9,240 | 13,391 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total current liabilities | 1,309 | 1,101 | 1,596 | 1,101 | 1,596 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total non-current liabilities | 3,832 | 869 | 1,259 | 869 | 1,259 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities | 5,141 | 1,970 | 2,855 | 1,970 | 2,855 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net assets | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total equity | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| On what basis has the financial information been prepared? | <p>The financial information has been prepared in accordance with United States Generally Accepted Accounting Practice (US GAAP) and has been audited under Australian Auditing Standards.</p> | n/a | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

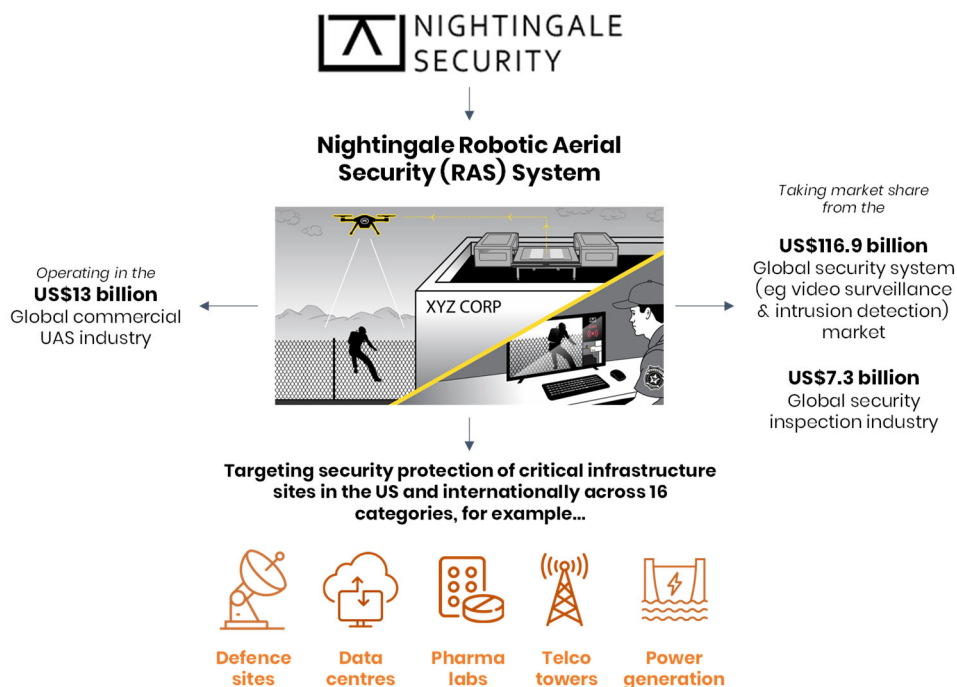
2. Industry Overview

2.1 Market Snapshot

Nightingale provides unmanned aerial systems (**UAS**) for commercial applications. The first market segment chosen by the Company is protecting critical infrastructure. The primary verticals targeted within the protecting critical infrastructure segment are Enterprise, Defence and Emergency Response linked to critical infrastructure locations including utilities, petrochemical facilities, military facilities, data centres, pharmaceutical laboratories and other critical infrastructure. The Nightingale Robotic Aerial Security (**RAS**) system is an autonomous perimeter security system to guard these critical infrastructure locations. Nightingale RAS systems can be operated autonomously using GPS waypoints and its advanced localization software for remote piloting.

Nightingale operates at the intersection of three key market segments:

- **Commercial UAS and drones:** UAS (including drones and other unmanned aerial robotics) are now regularly used for defence, commercial applications and by consumers. The global commercial market for UAS was estimated to have been a US\$13 billion (A\$18.9 billion) market in 2020¹, and is anticipated to grow to US\$40 billion (A\$58 billion) in 2023². Due to their operational efficiencies, it is also estimated that the use of UAS can result in cost savings to industry of US\$100 billion (A\$145 billion)³.
- **Security and Surveillance:** Nightingale is seeking to capture market share from the US\$116.9 billion per year global security system market with revenue generated from video surveillance, access control and intrusion detection systems⁴, and the US\$7.3 billion (A\$10.6 billion) per year⁵ security inspection industry that utilises manual labour-based practices and manpower. Both markets can be displaced or supported by the Nightingale RAS systems including use by police and other emergency services.
- **Protecting Critical Infrastructure:** The US Government has highlighted 16 categories of critical infrastructure sites that require additional protection and resilience including defence sites, data centres and power generation facilities, whose security could all be augmented by Nightingale RAS⁶.



¹ Drones: Reporting for Work (goldmansachs.com)

² How commercial drones became big business (irishtimes.com)

³ How commercial drones became big business (irishtimes.com)

⁴ Physical Security Market Size, Share | Industry Growth Report, 2020 - 2027 (grandviewresearch.com)

⁵ Security Inspection Market: Industry Analysis, Size, Share, Trends and Forecast to 2030 (futuremarketinsights.com)

⁶ Based on internal management calculations

2.2 Unmanned Aerial Systems Overview

UAS are air vehicles and associated equipment that do not carry a human operator, but instead are remotely piloted or fly autonomously. UAS are also commonly referred to as drones, Unmanned Aerial Vehicles (**UAV**) and Remotely Piloted Aircraft Systems (**RPAS**). A UAS generally consists of:

- an aircraft with no pilot on-board;
- autonomous software;
- a remote pilot station for command and control;
- a command-and-control data-link; and
- equipment specific to the intended application/operation (for example, specialised cameras or other sensors that collect data for analysis)⁷.

UAS have historically been reserved for defence use, however UAS technology is advancing rapidly. With the digital revolution bringing microprocessors and abilities for long-distance communication, the role of UAS has expanded to civil and commercial applications. Existing platforms are the result of the convergence of a range of technologies such as hydrodynamics, structural mechanics, robotics, signal and information processing, systems engineering, electrical components, and sensor systems. Further developments in these areas, plus the continued emergence of new technologies, have the potential to lead to new UAS capabilities⁸.

With ever-evolving uses, UAS have experienced robust growth in the U.S., the primary target market for Nightingale, and throughout the world. As of June 2022, approximately 314,000 commercial small UAS (**sUAS**) were registered for use⁹. As commercial UAS become operationally more efficient and safer, battery life expands, and regulatory constraints are gradually relaxed, new business models can develop such as Beyond Visual Line of Sight (**BVLOS**) applications where the flying of a UAS is without a pilot maintaining visual line of sight on the aircraft at all times. The U.S. Federal Aviation Administration (**FAA**) projects the commercial sUAS sector will have around 835,000 aircraft in 2025¹⁰.

Number of Commercial sUAS registered in the US



Source: FAA, June 2022

Remote pilot certifications are required to facilitate commercial sUAS flights. This certification demonstrates that operators understand the regulations, operating requirements, and procedures for safely flying sUAS¹¹. As of June 2022, over 280,000 remote pilot certifications have been issued in the U.S.¹²

⁷ US Department of Commerce – Unmanned Aircraft Systems ([trade.gov](https://www.trade.gov/unmanned-aircraft-systems))

⁸ QLD Govt – <https://www.premiers.qld.gov.au/publications/categories/plans/assets/queensland-drones-strategy.pdf>

⁹ UAS by the Numbers ([faa.gov](https://www.faa.gov/uas/by-the-numbers))

¹⁰ FAA, FAA Aerospace Forecast Fiscal Years 2020–2040 Full Forecast Document and Tables

¹¹ Become a Drone Pilot ([faa.gov](https://www.faa.gov/uas/become-a-drone-pilot))

¹² UAS by the Numbers ([faa.gov](https://www.faa.gov/uas/by-the-numbers))

2.3 Market Segments

2.3.1 Market opportunity for using UAS in Security and Surveillance

Robotic automation is a mega trend driven by customer demand for increased efficiency and productivity across multiple markets. Within the physical security space, traditional labour-based security methods such as hiring of security personnel are being replaced with automated security methods including the use of UAS. Use cases like perimeter patrol, emergency response, large area situational awareness, search and rescue, disaster management and recovery are examples in which UAS are being utilized as the platform of choice given the drone's high mobility, low costs compared to human operated alternatives and ability to provide reduced human liability while increasing situational awareness for high-risk locations.

UAS have the potential to both solve problems and save costs across several industries. Physical security, labour-based surveillance and inspection of critical infrastructure and buildings is costly and time consuming. The Company believes there is an opportunity to utilise UAS to displace or supplement the existing embedded physical security solutions that are manual, labour based, and open to disruption. An overview of the features and benefits of using UAS in Security and Surveillance is outlined below:

- **Safety:** Security and surveillance of industrial infrastructure assets and buildings often occur in dangerous environments. UAS and field robotics can mitigate against human error and safety risks by remotely piloting UAS and pre-programming flights, eliminating the majority of the risk to personnel.
- **Economical solutions:** Cost of personnel, training, safety, certification, and compliance is continually increasing. There is opportunity to vastly reduce costs for companies by using UAS to work alongside and in some instances, replace workers.
- **Productivity:** To conduct semi-skilled and unskilled tasks, companies are still forced to use expensive personnel. UAS automates the process of security and surveillance with an autonomous human-free system.
- **Technical advancements:** Extended battery life plus the ability to operate in all weather, increase the utility potential of UAS for security.
- **Scalability:** Companies are seeking solutions that are easy to deploy and replicate allowing deployment at scale to assets in remote and distributed locations that are not economical to protect.
- **Automation:** Software, sensors, and processing technology play a significant role in driving UAS automation. Automation allows pilots to control an increasing number of UAS missions simultaneously and artificial intelligence (AI) will make analysis of results easier and more efficient.
- **Decreased lead time:** UAS can complete perimeter checks or be a first responder to an incident on demand, or on short notice.
- **Minimum downtime:** UAS missions can be completed in a fraction of the time required by conventional means leading to minimum downtime.

With these operational benefits, UAS security systems are positioned to steadily replace more expensive labour-based security operations, which can reduce both total costs and risks posed to users. Barclays estimates that the gained efficiency of replacing certain specific labour-based security operations with UAS will result in cost savings of approximately US\$100 billion (A\$145 billion) worldwide¹³.

Early adopters of robotic automation within the security sector consist mainly of government entities and large corporations with critical infrastructure. Manufacturing, datacentre operations, construction, power generation and transmission, defence as well as emergency response are just some of the industries with existing commercial drone strategies that are driving growth in adoption of UAS security.

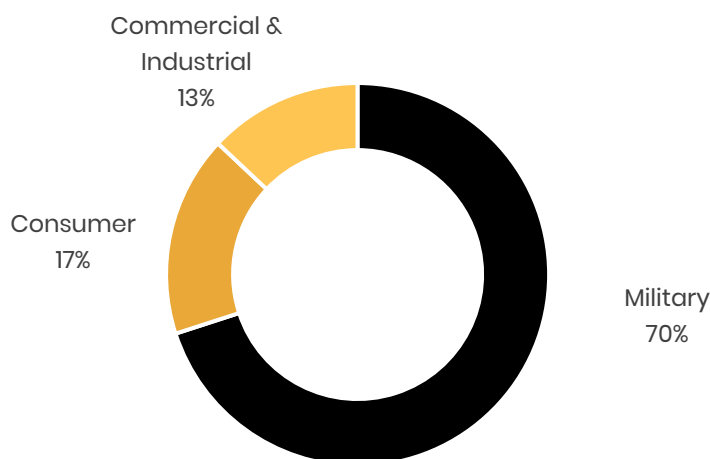
The Company believes this presents an opportunity for agile new businesses such as Nightingale to disrupt the current market model with its security UAS robotics solutions.

¹³ *Unmanned Aircraft Systems (trade.gov)*

2.3.2 Market opportunity for using Commercial UAS

UAS are evolving beyond their military origin to become powerful business tools. Inexpensive recreational drones have already made the leap to the consumer market, and now they're being put to work in commercial and industrial applications. Goldman Sachs estimated a US\$100 billion (A\$145 billion) market opportunity for drones in 2020 — helped by new, growing demand from the commercial and industrial sector¹⁴.

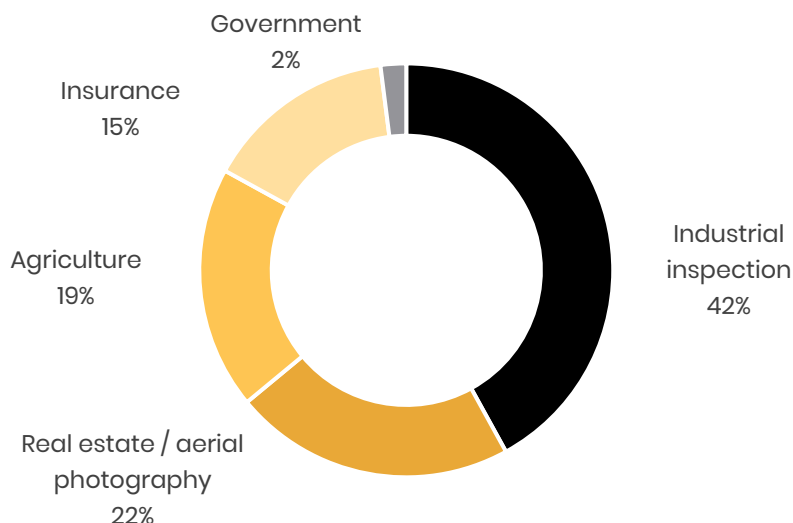
Global drone market segmentation (US\$ billion)



Source: Goldman Sachs Research

For industrial applications, there are a growing number of use cases for drones, with the current leading use being industrial inspection:

Drone Industry Split (%)¹⁵



Source: Allianz

The same safety, efficiency and cost benefits that appeal to the military make drones attractive for a wide range of business. The Company believes the full economic potential for UAS is likely to be many times the current market size as it displaces incumbent solutions.

¹⁴ Drones: Reporting for Work (goldmansachs.com)

¹⁵ Allianz - <https://www.agcs.allianz.com/content/dam/onemarketing/agcs/agcs/reports/AGCS-Riseofthedrones-report.pdf>

2.3.3 Market opportunity for using UAS in Protecting Critical Infrastructure

There are 16 critical infrastructure sectors in the United States whose assets, systems, and networks, whether physical or virtual, are considered so vital to the United States economies that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health or safety, or any combination thereof. “USA Presidential Policy Directive 21 (PPD-21): Critical Infrastructure Security and Resilience advances a national policy to strengthen and maintain secure, functioning, and resilient critical infrastructure.”¹⁶

The critical infrastructure sectors outlined in the directive are:

- Chemicals;
- Commercial Facilities;
- Communications;
- Critical Manufacturing;
- Dams;
- Defence Industrial Bases;
- Emergency Services;
- Energy;
- Financial Services;
- Food and Agriculture;
- Government Facilities;
- Healthcare and Public Health;
- Information Technology;
- Nuclear Reactors, Materials, and Waste;
- Transportation Systems; and
- Water and Wastewater Systems¹⁷.

Other Governments around the world have also identified similar critical infrastructure sections for their economies.

Critical infrastructures and key assets are a highly complex, and interdependent mix of facilities, systems, and functions that are vulnerable to a wide variety of threats. Their sheer numbers and interconnected nature create an almost infinite array of high-payoff targets for terrorist exploitation.¹⁸

Professionals tasked with protecting critical infrastructure such as government assets, healthcare sites, data centres, chemical plants, telecommunications towers and power utility assets have traditionally used labour-based patrols, perimeter security and dog patrols.

¹⁶ Presidential Policy Directive -- Critical Infrastructure Security and Resilience | [whitehouse.gov](https://www.whitehouse.gov/the-press-office/2013/05/23/ppd-21-critical-infrastructure-security-and-resilience) ([archives.gov](https://www.archives.gov/presidential-policy-directives/ppd-21-critical-infrastructure-security-and-resilience))

¹⁷ Presidential Policy Directive -- Critical Infrastructure Security and Resilience | [whitehouse.gov](https://www.whitehouse.gov/the-press-office/2013/05/23/ppd-21-critical-infrastructure-security-and-resilience) ([archives.gov](https://www.archives.gov/presidential-policy-directives/ppd-21-critical-infrastructure-security-and-resilience))

¹⁸ <https://www.jstor.org/stable/10.7249/mg142nga.19>

2.4 Drivers for the Physical Security and Security UAS Markets

The physical security market has grown to a US\$116.9 billion (A\$163.7 billion) per year global industry. Rising numbers of incidents such as accidents and terror attacks across the globe have led to increased spending on safety and physical security. Several key drivers characterize growth in the market¹⁹:

| | |
|---|--|
| Rising adoption of video surveillance | Video surveillance products assist organizations in gathering evidence in case of a security breach event and helps them monitor their surroundings. |
| Rising physical security services market | Services comprise deployment, maintenance, and updating of equipment as well as additional commercial drone application software, which further improves performance by providing the user with optimum control of the complete security infrastructure. Rapid infrastructure development in emerging economies and advancements in technology, such as Ultra High Definition (UHD) surveillance, have led to an increased demand for additional physical security services. |
| Widening of the physical security systems market | Video surveillance, intrusion detection, access control, and exterior security systems make up the physical security systems market. The integration of UAS to these systems provides a supplementary tool for security teams to consider. Increasing physical security and safety concerns and stringent regulatory compliances are some of the potential factors driving the segment growth. |

To augment, or eventually replace, the physical security market, the safety and security UAS market is anticipated to grow due to several factors:²⁰

| | |
|---|--|
| Growing use of UAS in defence applications | UAS are primarily used in defence where human intervention is not possible or important, including intelligence, surveillance, and reconnaissance. Many countries across the globe, both developed and emerging economies, are incorporating high-tech security UAS, to enhance surveillance operations. |
| Rising adoption of UAS for advanced patrolling of marine borders | Marine patrolling has become a major issue for many countries across the globe. These countries are deploying advanced UAS to carry out surveillance and patrolling marine borders. |
| Rising defence budgets of major economies | Major economies across the globe including the U.S., Germany, France, and the U.K. are focused on adopting high-tech UAS to enhance their surveillance and reconnaissance capabilities. These countries are also augmenting their defence budget every year, to upgrade existing military capabilities. |
| Introduction of AI-enabled UAS | AI machine learning, and Internet of Things (IoT) are being integrated to enhance the capabilities of UAS, making them more efficient and effective. |
| Cloud computing services | Cloud computing based UAS is another major trend in the market. Cloud computing provides numerous advantages including low latency support, efficient integration, location awareness, and scalability. Moreover, it can enable real-time insights, thereby enhancing overall capabilities of UAS. |

¹⁹ Physical Security Market Size, Share | Industry Growth Report, 2020 – 2027 ([grandviewresearch.com](https://www.grandviewresearch.com))

²⁰ At a CAGR of 34.7%, Safety and Security Drones Market to Rise Globally During 2019–2027 – Coherent Market Insights ([prnewswire.com](https://www.prnewswire.com))

North America holds the dominant position in the global safety and security UAS market and is expected to witness significant growth. This is owing to increasing adoption of UAS/drones for commercial and military applications.

Drone Main Markets (US\$ billion)



Source: Goldman Sachs Research

2.5 Regulatory Environment

The regulation of UAS varies across jurisdictions and such regulations are subject to change including to keep up with changes in technology. In each jurisdiction, the Company is required to comply with a range of safety, environmental and material standards. Below is a summary of the regulatory framework that governs the Company and its operations in each jurisdiction in which it has material operations.

United States

In the U.S., where Nightingale largely operates, FAA Part 107, effective August 2016, defines safety regulations for UAS weighing less than 55lbs (25kg) conducting commercial operations. The regulations require pilots to keep a UAS within visual line of sight (VLOS) and address height, speed, and other operational restrictions. The pilot must have a remote pilot certificate, obtained after passing an aeronautical knowledge test. Operators are responsible for ensuring the UAS is safe before flying. The regulations do not apply to recreational use²¹.

Operators are entitled to apply for waivers to existing part 107 rules, including requesting night operations as distinct from daylight operations (around 9 in 10 waivers are for night operations) and removal of limitations on altitude. The FAA issues these waivers to facilitate business activities by UAS while preparing for the next round of regulations that will routinely allow the present waiver requirements²².

The United States has taken a lead role in shaping international norms and requirements for UAS operations and for the aircraft themselves. Many governments (such as those in Europe, Australia, Japan, Singapore, China, and Israel) have established their own rules for UAS operations.

²¹ *Part_107_Summary.pdf (faa.gov)*

²² *FAA, FAA Aerospace Forecast Fiscal Years 2020–2040 Full Forecast Document and Tables*

Committee on Foreign Investment in the U.S.

The Committee on Foreign Investment in the U.S. (CFIUS) is a multi-agency U.S. government regime addressing foreign investments / transactions that implicate national security or critical infrastructure concerns. CFIUS is empowered to conduct national security reviews of “covered control transactions” by a “foreign person” (a foreign national, government or entity). “Transaction” is broadly defined to include mergers, asset acquisitions and minority investments and “control” is broadly defined to include the power by a minority interest holder to influence decisions. Businesses which produce, design, test, manufacture, fabricate, or develop one or more “critical technologies” are most sensitive for CFIUS purposes, i.e., military technology and services, technologies controlled by the Export Administration Regulations relating to national security, non-proliferation regimes, regional stability or surreptitious listening and “emerging and foundational technologies” designated by the Department of Commerce. Also, CFIUS has previously reviewed transactions or investments in which the U.S. target held government contracts and/or the business had access to U.S. critical infrastructure such as energy production and military bases.

It is possible CFIUS might evaluate the company’s current and future contracts with the U.S. government, but there is no a mandatory disclosure by the company to CFIUS.

Australia

In Australia – CASA’s CASR Part 101 provides an overarching regulatory framework for the operation of aerial drones. This sets the safety guidelines and no fly zones for commercial and recreational use, and grants licenses and permission for flight where required. These rules tend to largely resemble those set by the FAA.

Europe

Drone regulations for European Union member states, as well as for the United Kingdom, Iceland, Switzerland, Lichtenstein and Norway, are governed by the European Union Aviation Safety Agency (EASA) under EU Regulations 2019/947 and 2019/945. These regulations provide a framework for the safe operation of civil drones in European skies by adopting a risk-based approach, and as such, do not distinguish between leisure or commercial civil aviation drone activities. What they consider is the weight and the specifications of the civil drone and the operations it is intended to conduct.

Like most countries, most of the regulations for drone operations are structured similarly to that of the FAA. In some cases, it is easier to obtain an operational waiver to certain regulations than it is to obtain the same waiver from the FAA in the US market.

Middle East

The Middle East countries do not have a collective set of rules that are followed by all countries in the region similar to that of the EASA in Europe, and each country has their own particular approach to regulating drones. Although they can vary from country to country, like almost everywhere else in the global market, they seem to adopt the FAA regulations as their own, with slight variations.

Most countries require the operator to have passed some form of an “operators exam” to get certified through that country’s governing agency, the requirement to register the drone and be insured, obtain approval for an operation before it begins, and then notify their local authority prior to and the end of every operation. Other variations from the FAA 107 regulations come in the form of pilot eligibility requirements, flights at night, and operations in various types of airspace. Each of these can vary in their process from country to country.

2.6 Barriers to entry

Key factors that limit the ability of new entrants in this market include:

- **Intellectual Property and Product Accuracy:** The intellectual property to deliver accurate and reliable UAV surveillance technology in all-weather conditions is critical to winning contracts particularly with government.
- **Secure platform solution:** The benefits of having established technologically advanced solutions and secure storage without the customer having to invest upfront in such resources is likely to make proprietary platforms more attractive to customers. Establishing this technological offering can be cost prohibitive and limit the ability of new entrants to meet the expected market standards.
- **Trust and Reputation:** As the market has government customers, the provider and its personnel should have a demonstrated track record of successful delivery of products.
- **Competitors:** Larger and better funded competitors may make it hard for new entrants to compete for market share. Refer to Section 2.7 below for more on the competitive landscape.

2.7 Competitive Landscape

For Nightingale, the main competition comes from both labour-based security companies and from UAS providers.

In terms of UAS providers there two are categories of competitors:

- **Direct Competitors:** Companies with technology and business models that are directly comparable to Nightingale include Percepto, Azur, Aerobotics, Asylon Robotics and American Robotics.
- **Indirect Competitors:** Companies with similar technologies but which do not have complete overlap and operate based on a different business model and/or market segment include DJI, Skydio and EasyAerial.

The Company believes that the key competitive factors for products and services in the UAS industry include:

- **Safety:** Ability to guarantee completion of tasks at no risk to the client and their workers
- **Quality:** Ability to complete tasks at a higher quality to incumbent solutions and emerging UAS competitors
- **Reliability:** Ability to complete tasks as detailed on the frequency required
- **Capability:** Ability to supply UAS and deploy where needed
- **Scale:** Ability to support the production of many UAS
- **Capacity:** Ability to manage peaks in demand with very short lead times
- **Price:** Cost effective UAS solution.
- **Technical solution:** High degrees of hardware and software competencies in order to compete.

The Board considers that Nightingale's solution portfolio and its planned operational capability will position the Company favourably to be a potential leader in the autonomous drone security market.

3. Company overview

3.1 Nightingale Snapshot

Nightingale Intelligent Systems is a Silicon Valley-based UAS security robotic solutions company. The segment chosen by the Company to target is security of critical infrastructure with the primary verticals within the critical infrastructure segment being Enterprise, Defence and Emergency Response.

There are a multitude of critical infrastructure locations in the U.S. and globally from military, nuclear facilities, water treatment to data centres. Physical security is the main form of asset protection undertaken.

Nightingale operates its security UAS as part of a turnkey solution to deliver advanced security and surveillance that can reduce customers' costs, increase their coverage while maintaining staff safety.

Nightingale provides autonomous aerial security through its Nightingale RAS system featuring:

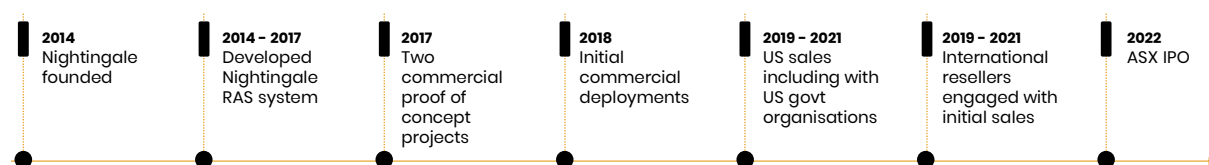
- (a) **Blackbird UAV:** a mission-ready drone which can be airborne in less than 30 seconds;
- (b) **Base station:** houses, charges, and provides command and control for the Blackbird UAV; and
- (c) **Intelligent Mission Control software:** which equips security teams with a real-time decision support system to help keep their facilities safe.



Over 12,000 missions have been flown using Nightingale Security's UAS as at 2022.¹

¹ There were 12,000 missions from 2019 to 2022.

3.2 Background and Corporate History



Nightingale is a Delaware registered company based in Silicon Valley, USA. Nightingale was incorporated in 2014 with the intention to create a solution to address the issues associated with securing large assets. With experience in robotics and technology, Nightingale’s founders established Nightingale to develop commercial UAS that could address these issues.

From 2014 to 2017 the Company developed the Nightingale RAS system that combines a proprietary hardware platform and machine learning technology, to create an autonomous perimeter security system as a viable solution to the multi-billion-dollar perimeter security market.

Proofs of concept with two corporations were successfully completed in 2017 demonstrating the viability and effectiveness of the solution as a physical security solution. This included creating new technologies to overcome autonomy issues inherent with using GPS navigation in close spaces.

Nightingale RAS has been operating at customers’ locations since late 2018 as an autonomous 24/7 security system-as-a-service for enterprise customers. Nightingale RAS is currently deployed in the United States, Saudi Arabia, Poland, Germany, Spain, Mexico, Brazil, Czech Republic and Australia. Typical locations secured using Nightingale RAS include manufacturing, energy generation and storage facilities, pharmaceutical research, petroleum chemical and military installations, as well as other critical infrastructure.

US\$1.94 million (A\$2.81 million) of revenue and approximately \$0.89 million (A\$1.29 million) of deferred revenue was generated in FY21 with key customers including Los Angeles Department of Water & Power, the U.S. Air Force, INEOS and Lucid Motors.

The Company has generated preliminary unaudited revenue of US\$1.075 million (A\$1.56 million) for the six months to 30 June 2022. The Company also has preliminary, unaudited deferred revenue of approximately US\$0.6 million (A\$0.9 million) at 30 June 2022.

To date, the business has been funded via various funding rounds raising US\$22 million (A\$31.9 million) in equity, US\$3.4 million (A\$4.93 million) in convertible notes which will automatically convert upon completion of the Offer and A\$1 million under a convertible loan to provide bridge funding pending completion of the Offer. The total funds raised to date are over US\$25 million (A\$36.25 million). These funds have been used for research and development, product testing and commercialisation.

3.3 Nightingale RAS System

Nightingale's RAS system is made up of three parts – the Drone, the Base and the Software. All three parts are operational and available to the market as RAS.

3.2.1 Blackbird UAV

The Blackbird UAV has been designed to meet security, surveillance and inspection needs of critical infrastructure asset owners and managers.

The Blackbird UAV is a fully autonomous quadcopter style aerial vehicle that can fly patrols day and night, in varying weather conditions, from extreme desert heat to rain and snow. The Blackbird UAV responds to alarms, transmits live video, lands, recharges, communicates, coordinates, and reports maintenance needs.



The Blackbird UAV communicates with the base station. If a Blackbird UAV is on a mission and its battery runs low, another Blackbird UAV will autonomously deploy and finish the mission—allowing the first Blackbird UAV to safely return to the base station and recharge. This allows for routine, pre-scheduled flight missions to occur on an ongoing basis.

Using advanced computer vision, IR beacons, and cameras, the Blackbird UAVs can take off, follow GPS waypoints and land completely on their own—even in high wind speeds. Onboard, the Blackbird UAV is equipped with standard and thermal cameras for vision capture and monitoring. Blackbird UAVs can be programmed for object or threat recognition and following or tracking targets.

3.2.2 Base station

The Nightingale base station houses, charges, and provides command and control for the Blackbird UAV, allowing it to be mission-ready 24/7. When the Blackbird UAV lands on the base station after a mission, it immediately begins charging through contact points in its legs and the gold-plated nickel charging plates on the base station (conductive coupling). It takes approximately 45 minutes to recharge the Blackbird UAV to full charge. The contact charging solution has been proven reliable in all sorts of challenging weather environments.

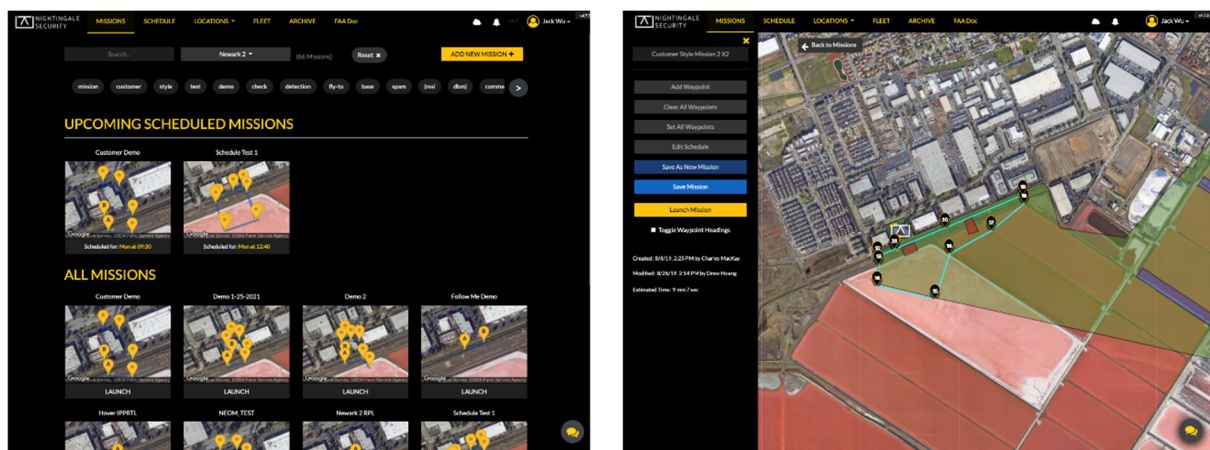
The base station comes with both heating and cooling elements to keep the Blackbird UAV at an optimal operating temperature and protect the Blackbird UAV from the weather elements. Nightingale now also offers a specialized cold-weather base station with more robust heating and ice melting capabilities.



3.2.3 Intelligent Mission Control Software

Nightingale RAS is managed by the Company's Intelligent Mission Control Software called Mission Manager, that provides live command and control, actionable intelligence for surveillance, and fleet coordination from anywhere in the world.

The simple and intuitive command and control interface allows security officers to create missions, launch Blackbird UAVs, view live video streams, and receive alerts from the Blackbird UAVs to gain situational awareness quickly and efficiently across large facilities.



Mission Manager has the following functionality:

- Schedule missions to launch at repeating intervals such as area surveillance and route reconnaissance
- Configure mission details – flight path, hover duration, etc.
- Intelligent Path Planning (IPP)
- Robotic Artificial Intelligent Detection (RAID), an onboard AI for autonomous object (human / vehicle) recognition, following and tracking
- Broadcasting real-time video stream of raw full motion video (RGB & Thermal)
- Secure user role management within Mission Manager
- Live chat with other users directly within Mission Manager
- Access and review of archived video footage

Mission Manager works across commonly used devices (PC & mobile) and integrates with existing video management software, alarm sensor and alert systems used by security systems of asset owners and managers.

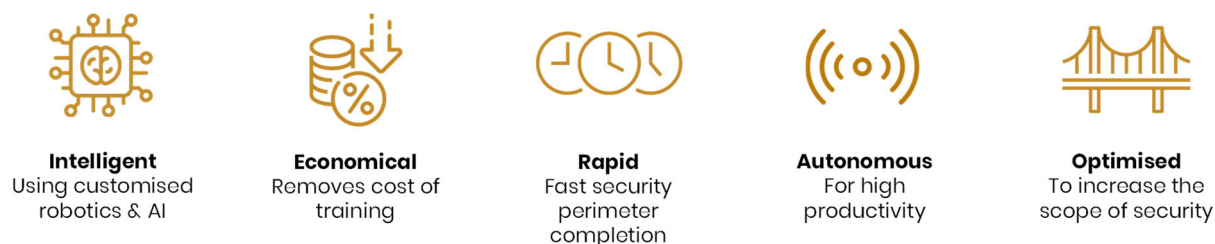
3.4 Value Proposition

Nightingale operates its security UAS as part of a turnkey solution to deliver advanced security and surveillance that can reduce customers' costs, increase their coverage while maintaining staff safety.

There are severe limitations to conventional methods of remote, aerial, or manned security surveillance. RAS directly addresses each of the key issues associated with physical security.

| Limitations | Nightingale RAS Solution |
|--|---|
| Repetitive and expensive Patrols are repetitive, and monitoring is tedious. Well-trained guards are hard to find and expensive. | Automated patrols Automation is the perfect solution for repetitive tasks. Scheduled patrols from the air also offer more visibility and detailed records for investigation. |
| Slow incident response During an alarm event, every second counts. Lack of situational awareness can lead to human injuries and other liabilities. | Rapid response Flying is the fastest way to get eyes on the event for a large area. Integration with existing sensors and alarms raises the value of legacy infrastructure. |
| High cost of monitoring due to large-area and perimeter Monitoring large facilities are difficult and costly due to distance and terrain. | Cost effective coverage It is much easier to cover a large area from the air. Seeing a live video assists in emergency situational awareness. |
| Limited effectiveness Stationary cameras and sensors can offer a restricted view and drive-by patrol cars are easily evaded by intruders. | Highly effective The UAS can be a first responder on site, provide aerial surveillance of sensitive sites and be a strong deterrent to potential offenders, providing customers with peace of mind. |

The capabilities of Nightingale UAS provide an autonomous human-free system for Patrol and Rapid Response, which has the following key features:



As a technology solutions provider, the Company's strategy is to grow its business by deploying Nightingale RAS to customers with valuable capabilities to mitigate their operational pain points such as providing a scalable security solution, reduce overall costs and increase operational efficiencies. Since late 2020, Management have been seeing increasing traction in all market segments. Customer reasons for adoption range from cost reduction, capabilities augmentation and making coverage for large areas economically feasible and practical, to being a force multiplier by enhancing their existing security position by doing the job cheaper, better, and faster. The Company believes that delivering these capabilities will enable the creation of new markets or market segments, gain market share and grow as market adoption increases.

3.5 Key Verticals and Key Customer Categories

Although Nightingale is industry agnostic, it is targeting customer categories in the security and surveillance market that have the following characteristics:

- **Large areas and/or perimeters** which are both difficult and costly to monitor effectively and efficiently
- **Valuable assets** that are considered so vital to the world's economies that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health, or safety
- **Multiple locations** where the cost of securing the facilities is duplicated, and often inconsistently executed
- **Regulatory requirements** which determine that security measures are required to be in place

The key customer groups with these characteristics, that best fit the Nightingale RAS service and product profile are:



Target customer verticals are those with a strong requirement for security (for example, large perimeter and regulatory requirements), with a high cost of current security and/or valuable assets to protect and across multiple locations. Key verticals, with initial customers providing industry reference points, include:

Figure: Key customer verticals

| Customer verticals | Reference sales and deployments |
|--|--|
| U.S. Government and other international governments with aligned regimes | U.S. Air Force |
| Pharmaceuticals | Sanofi, HHMI and TGS |
| Information Technology | Iron Mountain |
| Petrochemical | INEOS |
| Utilities | Los Angeles Department of Water & Power, Snowy Hydro (Purchased under D13) |
| Manufacturing | Lucid Motors |
| Food | General Mills |
| Data centres and Telecommunications | Novva |

Each target customer has the capacity to purchase a system with significant upfront costs and the capacity to purchase post-sale support on an ongoing basis.

3.6 Case Study

United States Air Force

| | |
|-----------------------------|---|
| Customer problems | The Kirtland Air Force Base is over 52,000 acres. There are multiple exposed areas in remote and inaccessible areas and there are frequent gate and perimeter wall breaches. |
| Nightingale solution | The United States Airforce have time sensitive requirements. One of Nightingale's KPI's is to respond to the door alarms within 15 minutes which may not be feasible for other physical security alternatives. Nightingale's drones are also integrated with the United States Air Forces ground based radars offering a safer and simpler solution for investigating breaches. |

3.7 Business Model

Since commercial launch in 2018, Nightingale generates revenues in several ways:

- **Product sales:** Nightingale sells RAS (both hardware and software) to customers.
- **Product leasing:** Nightingale owns RAS and leases it for use on 1-3 year contracts.
- **Robot-as-a-Service (RaaS):** A monthly subscription service solution that includes the technology platform, maintenance, repair, and upgrade (**MRU**). Purpose of MRU is to ensure the technology is up-to-date and simplifies operation for customers.

For sales in the US, these are carried out by Nightingale directly. For international markets, sales and distribution is through local resellers that generally purchase products upfront at a discount and resell to their customers. Nightingale may then provide repair, maintenance and upgrade services to end users. Primary resellers for Nightingale are:

- Hajaj (Middle East); and
- D13 (Australia).

Refer to Section 9.1 for further details on distribution agreements with local resellers.

As at the end of December 2021, Nightingale had 17 customers in 8 countries, generating US\$1.94 million (A\$2.81 million) in revenue for FY 2021. The nature of leasing and RaaS contracts means there is a level of revenue stability into future years. Using 1–3–year contracts generates income over this period and due to drones being a relatively new industry, the MRU in the RaaS contracts assists with combatting competition through multi-year adoption.

In addition to current commercial contracts, Nightingale has several advanced commercial opportunities in the Security and Surveillance market pipeline that may translate to recognised revenue in the near to medium terms.

Defence programs

Nightingale also has several defence related programs in progress, which are in the early stages and may take time to generate revenue.

3.8 Sales and Deployments

Sales are made directly or through international resellers. In each case the following deployment process occurs:

| | |
|------------------------|--|
| Pre-Deployment | Prior to deployment, the customer is engaged to understand the desired use cases and needs. Nightingale performs a site assessment of the facility to determine optimal installation locations and needs. Airspace and regulatory compliance are also evaluated. |
| Deployment | Currently, 1 to 2 weeks to install, tune, build customer specific missions, test all capabilities and range, train customer personnel for maintenance and operations. Once optimized, it is expected that the process could take just a few days. |
| Post-Deployment | On-going support, recurrency and new feature testing, persistent contact with customer in support of maintenance, repair, and upgrades. |

The impact of COVID-19 has led the Company to complete sales and deployments remotely. Business systems and sales approaches have been tailored to be completed online.

3.9 Maintenance, Repair, Upgrade

Maintenance, Repair and Upgrade (**MRU**) support is covered by the Company's maintenance contract, which includes hardware maintenance and repair as well as software upgrades—helping customer systems operate smoothly and continuously.

The Company's integrated Autonomous Logistics (**AL**) constantly monitors the operational status of the Nightingale RAS platform to ensure operational readiness and to predict maintenance needs before they arise—maximizing platform up time while minimizing the impact of maintenance. This helps to ensure the successful operation of products by customers.

These services have the potential to generate incremental revenue and provide the Company with continuous feedback to understand the performance of systems, anticipate customer needs and develop products or services based on customer insights. This ongoing feedback loop enables the Company to continue to provide customers with innovative solutions that help them succeed.

As a minimum, the Company provides training, spare parts, as well as repair, refurbishment, and replacement services.

3.10 Regulatory compliance

As noted in Section 2.4, operation of RAS is regulated in each of the jurisdictions where Nightingale's customers are located. The responsibility for compliance with the relevant regulations is divided between Nightingale and its customers and varies depending on the location of the project as summarised below.

United States

Prior to selling or leasing a drone to any customer, Nightingale registers the drone with the FAA and also insures the drone with its aviation insurance provider. If a system is leased to a customer, Nightingale retains ownership and therefore the registration and insurance remain in its name. If any regulatory (FAA) waivers are needed, they are typically in the form of Airspace Authorisations to allow drone operations in certain areas. Nightingale files for that authorisation on behalf of its customers, and is considered the Responsible Party for the authorisation. This allows its customers to operate under the authorisation.

If Nightingale sells a RAS in the US, customers may opt to register the drone in their name or obtain their own insurance. For more complex waivers like a Certificate of Authorisation (to fly under a different set of rules other than the FAA 107), or advanced operations like BVLOS, those are typically filed by the end user with Nightingale's assistance.

Prior to any US operation, the Deployment Engineering team does an analysis on every potential location where the RAS will operate. This includes a thorough airspace and local regulatory check to determine if an Airspace Authorisation mentioned above is required. Nightingale also makes sure that its customers have operators who are FAA 107 certified.

International

This is similar to the domestic model in that Nightingale's drones are registered and insured for validation testing prior to shipping to a foreign customer. For regulations pertaining to operating the drones, the customers are responsible for acquiring any permitting and ensuring all requirements are met.

Import / export licenses

The Company is required to apply for standard import and export licences from the applicable US or foreign regulatory authorities in order to import certain components, and export its products, to and from the US.

The Company has previously contracted an external agency to assist with processing the Company's export licences for various countries and now has internal capability which it intends to rely on moving forward.

Export licenses are for specific countries, and not all countries require one. It is possible to get an exemption to an export license in some instances.

3.11 Growth Plan

Vision and Strategy

Nightingale hopes to capture a substantial proportion of the UAS market for physical security of commercial facilities. The Company is currently competitive in its pricing and has passed the preliminary barrier to entry with respect to research and development. The business strategy includes plans to leverage Nightingale RAS through a RaaS business model offering recurring hardware and software updates to increase value to customers and become vital equipment at customer facilities. The result of our strategy will be to deliver a cost-effective autonomous drone platform to customers and seek to become the brand that is synonymous with security drones.

In addition, Nightingale intends on continuing research and development for innovative products see section 3.14 for more details.

Sales Strategy

Nightingale has a two-step sales strategy:

- Focus on large commercial and government customers which have a tangible requirement for RAS
- 'Land and expand' by securing small contracts as an entry point with large customers then increase both number of systems deployed and location with each customer to increase subscription revenue

Nightingale employs three channels to market:

- Direct to customer sales channel for strategic commercial customers
- Develop international sales partners for foreign customer locations for better local support
- Partner with qualified government vendors for easier navigation through bureaucracy and shorten sales cycle

Nightingale has realised sales through each channel.

Roadmap

Over the next 24 months, the Company is seeking to:

- Generate sales from the U.S. Government (for example, U.S. Department of Defence) for its Blackbird UAV
- Focus on U.S. industry sales and pursue international opportunities through its sales partners of its Blackbird UAV
- Utilise remote deployment process and procedures to facilitate global sales
- Build additional functionality to update the Blackbird UAV to promote adoption and long-term usage (2022+)
- Apply for and secure non-dilutive funding such as grants for the continued development of its technology.

Sales to the U.S. Government can have a lengthy approval process with other growth initiatives occurring in parallel to generate revenue.

In relation to the defence market, although this market is dominated by a few large contractors, there are many segments within the defence budget that is set aside for small companies. Programs like SBIR (small business innovation and research) as well as DIUX (defence innovation unit experimental) that also provides budgets for research and development on innovative programs. Both programs offer future opportunities for Nightingale.

3.12 Operations

As Nightingale is a U.S.-based company, most of its business activities occur in the U.S. Nightingale operates a lean operation with 20 employees based in Silicon Valley, U.S. across the following departments:

Number of employees by department

| C-Level | Software | Hardware | Operations | Deployment |
|---------|----------|----------|------------|------------|
| 3 | 6 | 5 | 1 | 5 |

The Company operates a flat organizational structure with management working closely with department personnel, thereby increasing transparency, and allowing Nightingale to remain nimble.

International sales are predominately through distributors and sales agents. With COVID-19 affecting travel, deployment has been successfully completed remotely.

3.13 Intellectual Property

Nightingale has spent over US\$7 million (A\$10.15 Million) from 2019 to 2021 on research and development to create a holistic technology suite including functionality such as:

- 'Intelligent path-planning' to ensure safe navigation;
- 'Robot to robot communication' to enable fleet cooperation; and
- 'Autonomous logistics' to allow for global fleet monitoring for optimized maintenance.

The development of the Nightingale RAS is completed and available to the market with commercial contracts in place.

To support this market entry, Nightingale operates both a defensive and offensive patent strategy:

- Defensive – In countries where the RAS could be copied, Nightingale has been approved for system level patents that offer the option to legally defend the Company's inventions.
- Offensive – In markets which having a patent may elevate and differentiate Nightingale from the competition.

To date, the Software component features a patented API, that provides easy integration with other software or IOT endpoints. The patent has been granted in the U.S. (U.S. patent 9,864,372), as well as in Singapore, China, Israel, and Taiwan. A summary of the Company's patent portfolio can be found in Appendix 2. All other intellectual property is protected by trade secret.

3.14 Research and Development

Nightingale believes that its future success depends upon its ability to rapidly enhance its UAS platform products and services and add enhancements to and applications for its products and services. Nightingale intends to use approximately 22% to 24% of the funds raised under the Offer to invest in research and development, to enable the Company to continue to deliver innovative products that address market needs within target markets, enabling it to create new opportunities for growth.

3.15 Manufacturing and Suppliers

The Company intends to pursue a lean and efficient production strategy across its business, focusing on supply chain management, final assembly, integration, quality, and final acceptance testing.

The Company outsources certain production activities, such as the fabrication of certain aerostructures, the manufacture and assembly of electronic printed circuit boards, payload components, and the production of its UAS to qualified hardware suppliers. This outsourcing enables the Company to focus on its core expertise, ensuring high levels of quality and reliability.

The Company has forged strong relationships with key suppliers for all elements of the UAS. It is planned to build redundancy into the supply chain with multiple providers. Suppliers of key components of the UAS include Flir and Microhard.

Final assembly, integration, quality, and final acceptance testing are completed in-house. All customer service for clients is provided from the U.S.

4. Risk factors

This section describes some of the potential material risks associated with Nightingale's business, the industry in which Nightingale operates and the risks associated with an investment in CDIs. Nightingale is subject to a number of risks, both specific to the Company's business activities and of a general nature, which may either individually or in combination adversely impact Nightingale's future operating and financial performance, investment returns and the value of Nightingale's CDIs, or New Options and Shares. The occurrence or consequences of some of the risks described here are partially or completely outside of Nightingale's control, or the control of Nightingale's Directors and Management.

There are risks that are common to all investments in equity securities and which are not specific to an investment in Nightingale— for example, risks associated with other external events which are not related directly to the Company.

This section does not purport to list every risk that may be associated with Nightingale's business or the industry in which Nightingale operates, or an investment in CDIs or New Options, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect Nightingale will not emerge.

Any of these risks, or any other risks or other matters, may emerge and may have a material adverse effect on the business and its financial position and performance. There can be no guarantee that Nightingale will achieve its stated objectives, deliver on its business strategy, or any forward-looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for CDIs and New Options, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances, and taxation position. You should read this Prospectus in its entirety and seek advice from your stockbroker, solicitor, accountant, financial adviser, or other independent professional adviser before deciding whether to apply for CDIs and New Options.

4.1 Specific Risks related to the Company

Loss making operation and funding

The funds to be raised under the Offer are considered sufficient to meet the current objectives of the Company. However, additional funding will be required if further opportunities arise for capital expenditure, acquisitions, or joint ventures. If these events occur, the Company will look to raise additional funding via equity or debt financing or licensing arrangements. Failure to obtain sufficient funding may result in delay and indefinite postponement of the Company's activities and operations. There can be no guarantee that additional funding will be available when needed, on terms appropriate to the Company or that do not involve substantial shareholder dilution and there is no guarantee that the Company will ever reach profitability. At the current time, the Company is loss making and is not cash flow positive given it is still in its early stages of commercialisation. As a result, it is reliant on raising funds from investors to fund its operations and product development.

Regulatory change

The drone industry is regulated by the FAA in the United States and similar regulatory authorities in other jurisdictions. Drone technology is an emerging area of technology, and it is possible that the compliance and regulatory landscape both in the United States and other parts of the world will continue to evolve and impose different obligations and requirements on the use of drone technology.

The Company is required to stay up to date with the changing regulatory environment, and ensure it is meeting requirements that differ between each jurisdiction in which it operates or manufactures or to which it distributes its products. This may result in the Company incurring additional costs and management time in ensuring the Company is up to date with changes in regulation in each jurisdiction in which it operates. The Company also faces the risk that failure to comply with regulations in which it operates, may result in regulatory action in those jurisdictions.

Competitive landscape

Whilst the Company currently has expertise to deliver a high-quality product, it is anticipated that the level of competition could increase rapidly. There is no assurance that competitors will not succeed in developing products more effective or economic than the products developed by the Company which would render the Company's products uncompetitive.

The Company faces the risk that:

- existing competitors could increase market share through aggressive sales and marketing campaigns, product research and development or price discounting;
- existing and potential competitors, who may have significantly more resources, develop new or superior products or improve existing products to compete with the Company;
- the Company may fail to increase adoption and usage of new technologies;
- the Company may fail to anticipate and respond to changing opportunities, technology or customer requirements as quickly as its competitors;
- competitors may enhance their product offering to improve their competitive positioning relative to the Company;
- new market entrants into the autonomous commercial drone market could develop technology which competes with the Company's products and offering;
- customers who purchase the Company's products today may, as they continue to grow, decide to invest in or develop their own solutions or new or superior products or improve on existing products; and
- increased regulatory oversight may negatively affect Nightingale's value proposition.

If any of these risks arise, the Company may compete less effectively and the Company's market share and ability to secure existing or new business could be reduced, which would have an adverse impact on the Company's operating and financial performance.

Reliance on key customers

A major source of revenue for the Company is derived from its arrangement with Hajaj under the Regional Distributor Agreement (refer to Section 9.1 for more information on this arrangement), which is also a current Shareholder of the Company. The payments received under the Regional Distributor Agreement represent approximately 2.7% and 33.9% of revenue in each of 2020 and 2021, respectively. The Company expects that the overall revenue contribution under the Regional Distributor Agreement will be 38% in 2022.

Should Hajaj, or any other key customers, terminate their relationship with the Company or should any of these customers cease to buy the Company's products and services, then the Company's business and financial condition could be adversely impacted. In particular, if the Regional Distributor Agreement was terminated, this could adversely impact incoming revenue for the Company and the ability for the Company to access the market in the Middle East.

Ability to retain or attract key personnel

The nature of the Company's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. Further, the Company's management team consists of individuals who have significant knowledge of the Company's technology and its application and well-established relationships with the Company's key customers and third party manufacturers and suppliers. In particular, the Company is heavily reliant on its engineering team in the United States with the technology knowledge concentrated in a small number of personnel in the United States. The loss of key members of the management team or members of the engineering team, or any delay in their replacement, may adversely affect the Company's ability to implement its strategies and may also adversely affect the Company's future financial performance.

Further to this, if the Company is unable to retain or motivate key personnel, hire qualified personnel, or maintain its corporate culture, the Company may not be able to successfully execute its business plans. The Company's performance and future success depends on its continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation, particularly engineering.

Competition for qualified employees in the Company's industry, particularly engineering, is intense. In addition, the Company's compensation arrangements, such as equity award programs, may not always be successful in attracting new employees and retaining and motivating existing employees. The Company's continued ability to execute on its strategies effectively depends on its ability to attract new employees and to retain and motivate existing employees.

All the Company's employees are employed at will which is common in the State of California, U.S. Accordingly, the employment relationship can be terminated by either party for any reason, at any time, with or without prior notice and with or without cause, except as otherwise agreed. As a result, the majority of the Company's employees, including senior employees with significant knowledge of the Company's technology, could leave at any time and it may take time for the roles to be filled.

Data loss, theft or corruption

The Company stores data in its own systems and networks and also with a variety of third-party service providers. Exploitation or hacking of any of these systems or networks could lead to corruption, theft or loss of data which could have a material adverse effect on the Company's business, financial condition, and results. In addition, if the Company's systems, networks, or technology are subject to any type of cybercrime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers.

While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, data encryption, vulnerability assessments, management training, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data or proprietary information and the disruption of business operations. The potential consequences of a material cybersecurity incident include reputational damage, compromised employee, customer, or third-party information, litigation with third parties, regulatory actions, and increased cybersecurity protection and remediation costs, which in turn could adversely affect the Company's business and results of operations. In addition, the laws and regulations governing security of data on IT systems and otherwise held by companies is evolving and adding layers of complexity in the form of new requirements and increasing costs of attempting to protect IT systems and data and complying with new cybersecurity regulations.

Reliance on government contracts

A portion of the Company's revenues may depend on the Company's ability to do business with the United States as well as foreign governments and their various agencies, whether directly or indirectly. Such customers may:

- award or terminate contracts at their convenience;
- terminate, reduce, or modify contracts or subcontractors if its requirements or budgetary constraints change;
- cancel multi-year contracts and related orders if funds become unavailable;
- shift their spending priorities;
- adjust contract costs and fees on the basis of audits done by its agencies;
- use and practice intellectual property development in the performance of a government contract or subcontract;
- claim rights to intellectual property not properly protected under applicable contract terms;
- seek penalties and fines exceeding the value of a contract for contract activity that results in the submission of a false claim to the government;
- debar the Company or its subsidiaries because of legal and other actions undertaken by or against the Company or its subsidiaries, the Company's officers, directors, shareholders, employees and affiliates, or convictions of the Company's officers, directors, shareholders, employees, or affiliates; and
- inquire about and investigate business practices and audit compliance with applicable rules and regulations.

The Company's financial performance could be materially and adversely impacted by doing business with governments and their agencies.

Failure to realise benefits from research and development

An important element of the Company's business strategy is to continue to make investments in innovation and related product opportunities. Given the current stage of robotic technology, the Company expects it will continue to undertake a significant amount of research and development for both software and hardware. Developing technology is expensive and the investment in the development of new and innovative product offerings often involves an extended period to achieve a return on investment.

The Company believes that it must continue to dedicate resources to its innovation efforts to develop product offerings to maintain its competitive position and expand the total addressable market opportunity. The Company may not, however, receive significant revenues from these investments for several years, or may not realise such benefits at all.

Health and safety / product liability

Drones may fail, whether by human user error or by product defect, which could result in injury, loss of life or damage to property. While the Company currently has in place what it reasonably believes to be sufficient levels of insurance to cover potential claims, there is a possibility that events may arise which are not covered by the Company's insurance policies. If such an eventuality were to occur, it may result in significant liability to the Company and therefore impact its financial performance and/or cause substantial damage to its reputation.

The Company may be unable to obtain appropriate insurance cover for all relevant matters, particularly given the Company's operations in overseas countries may be considered by insurers to present additional risk, depending upon political and litigious circumstances in the country in question.

International operations

Whilst the Company has plans to expand into new jurisdictions, there are associated risks of doing business in regions that may have different political, legal, economic, regulatory frameworks including:

- Unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- Less sophisticated technology standards;
- Difficulties engaging local resources; and
- Potential for political upheaval or civil unrest.

As the Company increases its operations in existing regions or enters newer regions there is a risk that the Company fails to understand the laws, regulations and business customs or build reliable relationships with local partners of these regions. This gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which the Company may operate. Failure to understand local laws and systems may result in the interruption of the Company's business or imposition of fines and penalties / damages / enforcement action. This could interrupt or adversely affect parts of the Company's business and may have an adverse effect on the Company's operations and financial performance.

International operations may not be profitable or succeed due to added difficulties in managing foreign operations, including building reliable relationships with local partners, and complying with local laws, regulations and customs. Failure to understand local laws and systems may result in the interruption of the Company's business or imposition of fines/ damages.

The Company generates revenue and incurs costs largely in US dollars but does generate some revenue and incurs costs in different currencies and this is anticipated to increase as the business develops. Fluctuations in currency exchange rates, the introduction of foreign exchange controls which restrict or prohibit repatriation of funds, and technology export and import restrictions, prohibitions or delays may adversely impact the Company's operating and financial performance.

Tariffs imposed by the U.S. and those imposed in response by other countries, as well as rapidly changing trade relations, could have a material adverse effect on the Company's business and results of operations. Changes in U.S. and foreign governments' trade policies have resulted in, and may continue to result in, tariffs on imports into and exports from the U.S. In response, some foreign governments have proposed or implemented their own tariffs on certain products, increasing our costs of doing business. If we are unable to recover these costs, our profit margins may be negatively impacted. In addition, significant changes to U.S. trade policy may occur as a result of the change

in the U.S. President and administration, including the U.S. re-entering, withdrawing from, or renegotiating various trade agreements, or other actions that would change current U.S. trade policies. We cannot predict which, if any, of these actions will be taken or, if taken, their ultimate effect. Continued diminished trade relations between the U.S. and other countries, as well as the continued escalation of tariffs, could have a material adverse effect on our financial performance and results of operations.

Reputation and public sentiment

The success of the Company is dependent on maintaining a positive reputation. There is a risk that incidents within or beyond the control of the Company could occur which could have the effect of reducing confidence, or preferences for the automated security devices generally. This reputational risk could result from incidents involving the Company or non-related sector participants and may impact on future earnings and growth prospects.

Protection of intellectual property

The Company is dependent on its ability to effectively protect its intellectual property. There is a risk that the Company may not be able to detect the unauthorised use of its intellectual property or may be unable to enforce and prevent misappropriation of its intellectual property.

Breach of the Company's intellectual property may result in the need for the Company to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions and may ultimately prove unfavourable to the Company.

Intellectual property claims from third parties

There is also a risk that the Company may unknowingly infringe the intellectual property rights of third parties. In the future, the Company may be subject to intellectual property or other claims, which are costly to defend, could result in significant damage awards, and could limit its ability to use certain technologies in the future. To the extent such intellectual property infringement claims are successful, they may have a material adverse effect on the Company's business and financial performance.

Reliance on autonomous commercial drone market

The Company derives most of its revenue from the autonomous commercial drone market. The Company's future success is disproportionately dependent on the success of the autonomous commercial drone market and any significant adverse changes to the autonomous commercial drone market (for example, a significant decline in end user demand) may materially adversely impact the Company's financial performance.

Supply chain disruption

The Company is reliant on a few main suppliers of drone components. If supply of certain components was to cease, it may cause delays or disruptions for the Company as it will have to locate and approve new suppliers. The Company may not be able to find an alternative supplier or a supplier that provides components on similar terms. A disruption to supply of these products may adversely affect the Company's operating and financial performance. If the disruptions were prolonged and another third-party supplier or manufacturer could not be sourced, this could have a material adverse effect on the Company's ability to meet existing customer demand and to continue to grow the business.

Additionally, the Company's estimated cost of components may also vary due to availability of products, resources, materials, or any variables that may impact on the cost of components or elements in its products.

COVID-19 may continue to cause delays with delivery of supplies and components as many suppliers are impacted by local COVID restrictions and/or export restrictions because of border restrictions and other lockdowns. This may delay or prolong orders and impact the Company's ability to meet customer demand / deadlines.

Failure in future technology adaptations

Our future success will depend on our ability to develop solutions that keep pace with technological change, evolving industry standards and changing customer preferences in the markets we serve. We cannot be sure that we will be successful in adapting existing or developing new technology or services in a timely or cost-effective manner or that the solutions we do develop will be successful in the marketplace. Our failure to keep pace with changes in technology, industry standards and customer preferences in the markets we serve could diminish our ability to retain and attract customers and retain our competitive position, which could adversely impact its business and results of operations.

Failure to effectively manage growth

It is expected that the Company will need to continue to invest in systems and processes to support the development of the business if the Company gains significant market share over and above its current short-to-medium-term expectations. The failure of the Company to address projected growth in a timely, robust, and efficient manner may negatively impact the Company's financial performance.

Difficulty operating as a publicly traded company

As a publicly listed company, the Company believes that its business will benefit from, among other things, having direct access to equity capital, allowing the Company to better focus on its business and growth strategies. However, the Company may not be able to achieve some or all these benefits in the time expected, if at all. Implementing the changes required in becoming a publicly listed company may take longer than expected, result in the incurrence of additional costs or divert management's attention, which could adversely affect its business.

4.2 Risks related to the Offer and an investment in the CDIs and New Options

Equity market risks

There can be no certainty following the listing of the Company on the ASX, an active market in the CDIs or New Options will develop. CDIs and New Options may trade on the ASX at a discount or premium to the Offer Price. The price at which CDIs trade on the ASX may be affected by several factors, including the financial and operating performance of the Company and external factors over which the Company and the Directors have no control.

These external factors include actual, expected, and perceived general economic conditions, changes in government policy or regulation, significant events such as investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, force majeure events and general conditions in the markets in which the Company will operate.

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

Economic and financial market conditions

Changes in United States, Australia and world economic conditions may adversely affect the financial performance of the Company.

Factors that may influence the general economic climate include but are not limited to:

- changes in Government policies, taxation and other laws;
- future demand for automated drone security products and services;
- the strength of the equity and share markets in Australia and throughout the world;
- changes in investor sentiment toward particular market sectors;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in regions in which the Company operates;
- financial failure or default by an entity with which the Company may become involved in a contractual relationship;
- natural disasters, social upheaval, conflicts or war; and
- threats to health including pandemics and in particular the current disruptions and economic impacts) as a result of COVID-19.

Shareholder dilution

The Company may issue securities in the future and engage in capital fundraising for the Company. A fundraising may be for several reasons, including for an investment or business acquisition (although none are contemplated in the short-term). The ASX Listing Rules impose rules for the percentage of its capital that the Company is able to issue within a 12-month period (other than where exceptions apply) but Security Holders may still have their interest in the Company diluted as a result of securities being issued under future fundraisings.

Geo-political factors

The Company may be affected by the impact that geo-political factors have on the United States, Australian and world economy or on financial markets and investments generally or specifically. This may include international wars, terrorist activities and governmental responses to such activities.

Government and legal risk

Changes in government, monetary policies, taxation, and other laws can have a significant impact on the Company's assets, operations and ultimately the financial performance of the Company and its CDIs or New Options. Such changes are likely to be beyond the control of the Company and the Directors and may affect industry profitability as well as the Company's capacity to execute on its strategy.

Litigation risks

The Company may in the ordinary course of business become involved in litigation and disputes (for example with suppliers or customers). Any litigation or dispute could be costly and damaging to the Company's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

Foreign exchange risks

The proceeds of the Offer will be received in Australian Dollars, while the Company's functional currency is U.S. Dollars. The Company is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the U.S. Dollar – Australian Dollar exchange rate between the pricing of the Offer and the closing of the Offer and to such time as proceeds are exchanged for U.S. Dollars.

The CDIs and New Options will be listed on the ASX and priced in Australian Dollars. However, the Company's reporting currency is U.S. dollars. As a result, movements in foreign exchange rates may cause the price of the Company's CDIs or New Options to fluctuate for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and investors' expectations of returns on securities expressed in Australian Dollars.

Taxation

An investment in CDIs and New Options involves tax considerations which differ for each Security Holder dependent on their individual financial affairs. Each prospective Security Holder is encouraged to seek independent financial advice about the consequences of acquiring CDIs and New Options, pursuant to the Offer, from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws, are interpreted may impact the Company's tax liabilities or the tax treatment of a Security Holder's investment. In particular, there is a risk that both the level and basis of taxation may change both in the US and Australia, as well as other markets in which the Company currently operates and new markets it may enter in the future.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for CDIs or New Options under this Prospectus.

Accounting standards

Changes in accounting standards or their interpretation may adversely affect the Company's reported financial performance and/or financial position.

Impact of COVID-19 and other infectious diseases

The outbreak of the coronavirus disease (COVID-19) is having a material effect on global economic markets. The global economic outlook is facing uncertainty due to the pandemic, which has had and may continue to have a significant impact on capital markets.

The COVID-19 pandemic continues to evolve, and the Company considers it reasonably likely that its business will be affected in various ways (both directly and indirectly). There is continued uncertainty as to the further impact of COVID-19 including in relation to further governmental action, work stoppages, lockdowns, quarantines, travel restrictions, other unforeseen changes, and the potential for an economic recession either globally or in certain jurisdictions in which the Company operates.

The Company's CDI price may be adversely affected by the economic uncertainty caused by COVID-19. Further measures to limit the transmission of the virus implemented by governments around the world (such as travel bans and quarantining) may adversely impact the Company's operations and may interrupt the Company carrying out its contractual obligations or cause disruptions to supply chains.

Inability to pay dividends or make other distributions

In the foreseeable future, the Company intends to reinvest all its earnings in order to grow the business and does not intend to pay dividends or make other distributions to Security Holders. The ability for future dividends or other distributions to be paid by the Company will be contingent on its ability to generate positive cash flows. There is no guarantee that dividends will be paid on CDIs or New Options in the future, as this is a matter to be determined by the Board in its discretion, and the Board's decision will have regard to, amongst other things, the financial performance and position of the Company relative to its capital expenditure and other liabilities and its business plans and objectives.

Force majeure events

Events may occur within or outside of the United States that could impact upon the global and Australian economies and the operation of the Company. These events include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil and international wars and conflicts and other natural disasters which may cause an adverse change in investor sentiment with respect to the Company specifically or the stock market more generally, which could have a negative impact on the value of an investment in the CDIs or New Options.

Provisions of the Company's Certificate of Incorporation, its Bylaws and Delaware law

Certain provisions of the Company's Certificate of Incorporation and Bylaws could discourage, delay, or prevent a merger, acquisition or other change of control that Security Holders may consider favourable, including transactions in which Security Holders might otherwise receive a premium for their CDIs or New Options. These provisions could also limit the price that investors might be willing to pay in the future for the CDIs, thereby depressing the market price of the CDIs or New Options. Security Holders who wish to participate in these transactions may not have the opportunity to do so. A summary of these provisions is set out in Section 10.9.

As a Delaware corporation, Nightingale is subject to Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any business combinations with any Shareholder who owns, or at any time in the last three years owned, 15% or more of the company's outstanding voting stock, referred to as an interested Shareholder, for a period of three years following the date on which the Shareholder became an interested Shareholder, subject to certain exceptions. In addition, under the DGCL, the Board will have the ability to implement a broader range of takeover defence mechanisms. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the CDIs or New Options held by Security Holders.

Nightingale's Certificate of Incorporation and Bylaws will provide that its Board of Directors will be classified into three classes of directors. The existence of a classified board of directors could discourage a third-party from making a tender offer or otherwise attempting to obtain control of Nightingale as it is more difficult and time consuming for Shareholders to replace a majority of the directors on a classified board of directors.

5. Board, management and governance

5.1 Board of Directors

The Board has a broad range of experience in the security industry, commercialisation of technology and corporate governance.

The following table provides information regarding the Directors, including their independence and positions:

| Name | Position | Independence ¹ |
|------------------|------------------------|---------------------------|
| Denis Hébert | Non-Executive Chairman | Yes |
| Jack Wu | CEO | No |
| Alan Braverman | Non-Executive Director | Yes |
| Stratos Karousos | Non-Executive Director | Yes |
| Tony Zhang | Non-Executive Director | No ² |

Note:

1. The Company has assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles. A director will be considered independent if the director is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the person's judgement.

2. Mr Zhang is the representative and controller of substantial shareholder, BVM Fund, LLC.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

Denis Hébert, Non-Executive Chairman

Mr Hébert is currently a board member of Sentry Interactive, a company focused on advance communications and detection platforms in the security domain. He also serves as a board advisor to Proxy.co a tokenization-based identity provider, AutonomousID aBio-sole biometric solutions provider, Princeton Identity, an iris-based biometrics provider, as well as a consultant to multiple private equity firms. Mr. Hébert also served as Chairman of the Board for the Security Industry Association from 2016 to 2018, after having served on the board since 2008.

Prior to that, Mr. Hébert served as President and CEO of HID Global Corporation (2002–2015), where he provided strategic guidance and leadership, while growing the business tenfold through a mix of strong organic development and acquisitions. As part of his divisional responsibility at HID Global, he was concurrently Executive Vice President of ASSA ABLOY – ASSA-B.ST (2007–2015), where he contributed to corporate and strategic planning for the overall group. In addition, his previous experience includes 17 years at Honeywell International – NYSE:HON (1986–2002), having served in various leadership roles in Canada, France and the US.

Mr Hébert Holds a Bachelor of Commerce from Concordia University and a Master of Business Administration from Concordia University.

Jack Wu, Executive Director & Chief Executive Officer

Mr Wu co-founded Nightingale with John Hsu and is currently the Company's Chief Executive Officer. He has over 20 years' experience in user interface and product development experience in Silicon Valley. He has served as advisor to companies such as EventBrite, Geni and Yammer.

Mr Wu was part of the founding team for eGroups, which was acquired by Yahoo! in 2000 and later became Yahoo! Groups. Jack left Yahoo! to become the Creative Director for Tickle, an online advertising network acquired by Monster in 2004. After Tickle, in 2005 Mr Wu started a software company that went on to develop web-based software for Facebook, Yahoo!, AOL, Pepsi and other Fortune 500 companies.

This experience served as a foundation for Mr Wu to start 50Cubes, a gaming company that received funding from one of the largest online gaming platforms, Tencent. The company blended art and technology and grew to 14 million monthly active users in less than a year.

Mr Wu is also passionate about military history and defence technologies, which led him to start Nightingale.

Alan Braverman, Non-Executive Director

Mr Braverman is an entrepreneur and computer programmer currently serving as CEO and co-founder of Textline, a Software-as-a-Service (SaaS) text messaging platform specializing in customer service.

Prior to Textline, Mr. Braverman was a co-founder of several internet software companies, including genealogy social network Geni (acquired by MyHeritage) and its spin-off enterprise social network, Yammer (acquired by Microsoft). Earlier, he co-founded Mollyguard Corporation, a payment-themed software studio that spun-off both Xoom (NASDAQ IPO 2013, acquired by PayPal in 2015) and Eventbrite (NYSE IPO 2018). Earlier in his career, Mr. Braverman programmed web software at Silicon Graphics, eGroups, and Yahoo!.

Mr Braverman earned a Bachelor of Science in Computer Science from the University of Illinois. As a college student, he also programmed features for Mosaic, one of the first web browsers that launched the internet era.

Stratos Karousos, Non-Executive Director (Australian Resident)

Mr Karousos has over 25 years of executive management and leadership experience in Australia, Asia and the US. Stratos previously held positions as Director and CEO at Elixinol Wellness Limited (ASX:EXL) and has held senior roles in global organisations, including WiseTech Global Limited (ASX:WTC) and Baker McKenzie.

Mr Karousos has advised ASX-listed companies throughout his career and has deep experience in strategy and execution, mergers and acquisitions, equity capital markets, corporate restructuring, corporate governance and navigating complex regulatory frameworks. He is currently a Non-Executive Director of Aumake Limited (ASX:AUK) and the Chief Commercial Officer of espresso Displays.

Mr Karousos holds a Bachelor of Laws (LLB) from the University of Technology Sydney and Master of Commerce (MCom) from the University of New South Wales and is a member of the Australian Institute of Company Directors.

Tony Zhang – Non-Executive Director

Mr Zhang is an entrepreneur and investor. Mr Zhang has 10 years' experience in venture capital and is the founding partner of Ventek Ventures which offers venture investment and business advisory for over 100 start-ups.

Mr Zhang founded and was the CEO of Foodomo in 2015 which was acquired by Uni President in 2020. Thereafter, Mr Zhang commenced investing in several technology focused companies including Soul App in China and Nightingale in the United States. He is also a partner at BITKRAFT ventures, a venture capital and private equity practice.

Mr Zhang holds a Masters in engineering management from the University of Southern California and an Electrical Engineering and Business Administration degree from the University of California, Riverside.

5.2 Director disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy, or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for CDIs or New Options.

Save as set out below, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer.

5.3 Executive team

The Company has a highly experienced executive team as set out below:

| Name | Position |
|--------------------|--------------------------|
| Jack Wu | Chief Executive Officer |
| John Hsu | Chief Technology Officer |
| Michael Tschiderer | Chief Financial Officer |

Jack Wu – Executive Director, Chief Executive Officer

See Section 5.1.

John Hsu, Chief Technology Officer

Mr Hsu co-founded Nightingale with Jack Wu and is currently the Company's Chief Technology Officer. Mr Hsu has over 15 years' experience in the Robotics industry having founded and currently acting as the Chief Scientist for the Open Source Robotics Foundation in Mountain View, California, United States. Mr Hsu oversees the technical direction and development for Nightingale. This includes implementing technology in his field of research – an integrated robotic simulation platform suited for robotic applications such as robotic navigation, planning, manipulation and perception. Mr Hsu previously worked at SpaceX where he wrote the high-fidelity dynamics simulator for predicting flight feasibility and safety and Willows Garage where Mr Hsu was responsible for defining the vision for the autonomous car project working on computer vision, numerical algorithm development, path planning, system dynamics analysis and communications.

John received his Ph.D. in Aeronautics and Astronautics from Stanford University in the U.S. in 2004. His doctoral dissertation work includes novel numerical algorithm development for solving complex unsteady transonic flows and coupled aerodynamics.

Michael Tschiderer, Chief Financial Officer

Mr Tschiderer has over 30 years' experience in accounting and finance. He joined Nightingale as a financial consultant in July 2021 and will become Chief Financial Officer of Nightingale from the date of listing. He was formerly a partner of Bondaio & Co., LLP a CPA firm in New York. Mr Tschiderer's role is to oversee the finance function of Nightingale and to maintain financial control and reporting for the Company.

Mr Tschiderer has also held positions at MPower Communications Corp. as Senior Vice President of Finance between 2001 and 2006. Thereafter he held a number of roles between 2007 and 2020 as Global Financial Controller and Chief Financial Officer for private and publicly listed companies including Transact (NASDAQ: TRNS) and Lanzatech Inc.

Michael holds a Bachelor of Business Administration from St. Bonaventure University in the U.S.

5.4 Directors' interests and remuneration**5.4.1 Remuneration**

Please see Section 5.5 for a summary of the fees and remuneration paid by the Company to its executive director, Jack Wu.

The following sets out the Non-Executive Directors' annual remuneration payable for the year ending 31 December 2022:

| Director | Director's Fees | | Committee Fees |
|------------------|-----------------|------------------------------|----------------|
| | Cash | Securities | |
| Denis Hébert | A\$Nil | 100,000 Options ¹ | US\$10,000 |
| Alan Braverman | A\$Nil | - | US\$10,000 |
| Stratos Karousos | A\$60,000 | 155,927 Options ¹ | - |
| Tony Zhang | A\$Nil | - | US\$10,000 |

1. The terms of the Options are set out in Section 10.5.

Under the Company's Bylaws, each Director may be paid remuneration for ordinary services performed as a Director.

Under the ASX Listing Rules the maximum fees payable to directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate. Under the Bylaws, the maximum aggregate annual cash fee pool from which Non-Executive Directors may be paid for their service, exclusive of expense reimbursement and equity grants, cannot exceed US\$300,000. Under the ASX Listing Rules, any increase to the aggregate amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company, which may be made in addition to or in substitution for the Director's fees.

5.4.2 Interests of Directors

Other than as set out below or elsewhere in the Prospectus, no Director or proposed director:

- has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

Directors' interests in Shares

Certain directors currently hold interests in Shares, preferred stock, options, warrants and restricted stock units in the Company's share capital. As described in Section 10.3, prior to listing, all preferred stock and preferred stock warrants will convert into Shares (or be cancelled). The table below sets out the interests of the Directors on completion of the Offer (excluding any CDIs or New Options the Directors may apply for under the Offer).

| Name | Shares/CDIs | Options | RSUs | Min. A\$8m% after IPO (undiluted) | Min. A\$10m% after IPO (undiluted) | Min. A\$8m% after IPO (fully diluted) | Min. A\$10m% after IPO (fully diluted) |
|-----------------------------|-------------------|------------------|------------------|--|---|---|--|
| Denis Hébert ¹ | 1,606,573 | 100,000 | – | 1.40% | 1.33% | 1.26% | 1.19% |
| Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% |
| Alan Braverman ² | 3,607,122 | – | – | 3.13% | 2.98% | 2.66% | 2.52% |
| Stratos Karousos | – | 155,927 | – | 0.00% | 0.00% | 0.11% | 0.11% |
| Tony Zhang ³ | 14,480,907 | – | – | 12.58% | 11.98% | 10.66% | 10.10% |
| Total | 23,944,602 | 2,455,927 | 3,500,000 | 20.80% | 19.81% | 22.02% | 20.85% |

1. Denis Hébert holds shares under the entity name The Hébert Trust.

2. Alan Braverman holds shares under the entities Giant Pixel Corporation Inc and Triple AB LP.

3. Tony Zhang holds shares under the entity name BVM Fund LLC.

Indemnification of Directors and Officers

At the time of listing, the Company will enter into deeds of indemnity, access, and insurance with each Director. Under these deeds, the Company will agree to indemnify, to the extent permitted by applicable law, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company will also agree to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

5.5 Employment agreements

The employment contracts for senior management are summarised below.

Jack Wu – President and Chief Executive Officer

Jack Wu is employed by the Company in the position of President and Chief Executive Officer. Mr Wu receives an annual base salary of US\$300,000. Mr Wu is also eligible to participate in various customary employee benefit programs maintained by the Company and is eligible for an annual discretionary bonus as determined by the Board or the Remuneration and Nomination Committee. In addition, Mr Wu is eligible to participate in the Company's **2014** Equity Plan and shortly prior to the Allotment Date will be issued 3,500,000 Restricted Stock Units under that plan (see Section 5.6 and 10.8 for further details).

Pursuant to Mr Wu's Employment Agreement, if Mr Wu is terminated by the Company without cause or if he resigns for good reason (for example, a material decrease in salary or duties or a relocation of the corporate office by at least 30 miles) and Mr Wu signs a general release of claims in favour of the Company and complies with certain other requirements, the Company must pay Mr Wu severance in an amount equal to 100% of his base salary, 12 months of health insurance coverage and an amount equal to Mr. Wu's actual earned full-year bonus prorated based on the number of days Mr Wu was employed for the year.

Michael Tschiderer – Chief Financial Officer and Company Secretary

Mr Tschiderer is employed by the Company in the position of Consultant under an Independent Consulting Agreement (**Agreement**) dated 1 July 2021. The Company recognises the services performed by Mr Tschiderer exceed those outlined in the Agreement. The Company will compensate Mr Tschiderer for the additional services until listing. From 1 January 2022, Mr Tschiderer will receive a monthly fee of US\$8,000, which will be payable within 30 days of listing. The Company has also issued Mr Tschiderer 200,000 Options under the Company's 2014 Equity Plan (see Section 5.6 and 10.5 for further details). These stock options have an exercise price of US\$0.07.

Michael Tschiderer will be employed by the Company in position of Chief Financial Officer and Company Secretary from the date of listing. Mr Tschiderer will receive a fixed remuneration package of US\$150,000 per annum and is eligible for an annual bonus of up to 60% of his base salary. In addition, Mr Tschiderer is eligible to participate in the Company's 2014 Equity Plan and shortly prior to the Allotment Date will be issued 400,000 Options under that plan (see Section 10.5 for further details). These stock options will vest over a 36-month period commencing at listing and have an exercise price equal to the Offer Price.

John Hsu – Chief Technology Officer

John Hsu is employed by the Company in the position of Chief Technology Officer. Mr Hsu receives an annual base salary of US\$300,000. Mr Hsu is also eligible to participate in various customary employee benefit programs maintained by the Company and is eligible for an annual discretionary bonus as determined by the Board or the Remuneration and Nomination Committee. In addition, Mr Wu is eligible to participate in the Company's 2014 Equity Plan and shortly prior to the Allotment Date will be issued 3,500,000 Restricted Stock Units under that plan (see Section 5.6 and 10.5 for further details).

Pursuant to Mr Hsu's Employment Agreement, if Mr Hsu is terminated by the Company without cause or if he resigns for good reason (for example, a material decrease in salary or duties or a relocation of the corporate office by at least 30 miles) and Mr Hsu signs a general release of claims in favour of the Company and complies with certain other requirements, the Company must pay Mr Hsu severance in an amount equal to 100% of his base salary, 12 months of health insurance coverage and an amount equal to Mr Hsu's actual earned full-year bonus prorated based on the number of days Mr Hsu was employed for the year.

The Agreements with Mr Wu and Mr Hsu (Key Executives) also provide for the following:

- In the event of a voluntary termination of employment by the Key Executive, such Key Executive must provide the Company with at least 14 days written notice, provided, however, that the Company may elect to waive such notice period; and
- The Key Executives may not, during their employment either directly or indirectly, have an interest in any business competitive with the Company or any of its business activities.

Note, however, that under California law covenants not to compete are generally void as against public policy except when granted, on reasonable terms, in the context of a sale of goodwill associated with the acquisition of a company. If the extended notice provision referenced above or the restriction on having interests in other businesses provision above were deemed to constitute a de facto non-compete, it could be deemed unenforceable under California law.

5.6 Equity Incentive Plans

The Company's 2014 Equity Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, other stock-based awards and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of performance goals. Stock options granted under the 2014 Equity Plan may be non-qualified stock options or incentive stock options.

The total number of Shares reserved for issuance under the 2014 Equity Plan shall not exceed 25,000,000 Shares.

The 2014 Equity Plan is administered by the Board, who have the power and authority to delegate its responsibilities to the Remuneration and Nomination Committee, provided that, the Board shall retain the right to exercise authority of the Remuneration and Nomination Committee to the extent consistent with applicable law and the applicable requirements of any securities exchange on which the Common Stock or CDIs may then be listed. Subject to the provisions of the 2014 Equity Plan and the ASX Listing Rules, the Board shall have the full and final authority to, among other things, designate grantees; determine the type or types of awards to be made to a grantee; determine the number of shares of stock to be subject to an award; establish the terms and conditions of each award; prescribe the form of each award agreement; and to amend, modify or supplement the terms of any outstanding award.

In the event of certain corporate events or changes in the Company's capitalization, the administrator will make adjustments to the number and kinds of Shares reserved for issuance under the 2014 Equity Plan, the exercise prices of and the number of Shares subject to outstanding options and stock appreciation rights, and the purchase prices of and/or number of Shares subject to other outstanding awards, subject to compliance with applicable rules and regulations, including the ASX Listing Rules.

Subject to compliance with applicable law, including the ASX Listing Rules, the Board has the authority to amend, suspend or terminate the 2014 Equity Plan at any time as to any Awards which have not been made. An amendment shall be contingent on approval of the Company's Shareholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements (including the ASX Listing Rules). The applicable terms of the 2014 Equity Plan, and any terms and conditions applicable to Awards granted prior to the Termination Date shall survive the termination of the 2014 Equity Plan and continue to apply to such Awards. No amendment, suspension, or termination of the 2014 Equity Plan shall, without the consent of the grantee, materially impair rights or obligations under any Award that has been awarded.

Unless earlier terminated, the 2014 Equity Plan will terminate in 2032.

5.7 Restricted Stock Units

On or shortly prior to Listing, the Company will issue performance based restricted stock units to the founders of the Company, being Jack Wu (Executive Director and Chief Executive Officer) and John Hsu (Chief Technical Officer), which are described in this Section 10.8.

5.8 Related party interests

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest:

- the compensation arrangements with Directors and executive officers, which are described in this Section 5.5; and
- the indemnification arrangements with the Directors which are described in this Section 5.5.

Policy for approval of related party transactions

The Company's Audit and Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's Securities, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Management Committee or its Chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Management Committee or the Chairperson determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules.

5.9 Board's role

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at <https://www.nightingalesecurity.com/>. The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

5.10 Board Committees

As set out below, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the committee charter (which has been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company. A copy of the charter for the committees is available on the Company's website at <https://www.nightingalesecurity.com/>. The Company will also send you a free paper copy of the committee charters should you request a copy during the Offer Period.

| Committee | Overview | Members |
|--|---|---|
| Audit and Risk Management Committee | <p>Responsible for monitoring and advising the Board on the Company's audit and regulatory compliance policies and procedures.</p> <p>Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance, and terms of engagement of the Company's external auditor.</p> <p>Monitors and develops the Company's risk strategy, including assessing the effectiveness of the Company's internal controls and risk management framework and making recommendations for improvement.</p> | <p>Denis Hébert (Chair)</p> <p>Stratos Karousos</p> <p>Alan Braverman</p> |
| Remuneration and Nomination Committee | <p>Responsible for advising the Board on the composition of the Board and its committees, evaluating potential Board candidates, and advising on their suitability, and ensuring appropriate succession plans are in place.</p> <p>Establishes, amends, reviews, and approves the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management. The Remuneration and Nomination Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation.</p> | <p>Alan Braverman (Chair)</p> <p>Denis Hébert</p> <p>Stratos Karousos</p> |

5.11 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and is available on the Company's website at <https://www.nightingalesecurity.com/>.

- **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees;
- **Continuous Disclosure Policy** – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations;
- **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor, and manage risks affecting the Company's business;
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws;
- **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders;
- **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity amongst its board, management, and employees;
- **Whistle-blower Policy** – This policy sets out how and to whom staff may make confidential reports regarding illegal practices or violations of policies of the Company. The Policy sets out processes to follow up and investigate reports and how to respond to them; and
- **Anti-Bribery and Corruption Policy** – This policy describes the Company's zero tolerance policy towards bribery and corruption. The policy sets out practices that constitute bribery and corruption and is designed to assist the Company, subsidiaries, Board, and all employees avoid committing acts of bribery or corruption.

The Company will also send you a free paper copy of any of the above policies should you request a copy during the Offer Period.

5.12 ASX Corporate Governance Principles

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities are defined in the Board Charter.

The Company has also established a clear delineation between the Chairman's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The Remuneration and Nomination Committee will regularly review and evaluate the performance of senior executives.

Principle 2 – Structure the Board to be effective and add value

The majority of the Company's Board is comprised of independent, non-executive Directors and the roles of Chairman and Chief Executive Officer are exercised by two separate individuals. As the Company is still in an early stage of development, it has not yet undertaken a formal review of the Board's performance. However, the Board Charter provides for an annual self-assessment of the Board's performance to be provided to the Remuneration and Nomination Committee.

Principle 3 – Instil a culture of acting lawfully, ethically, and responsibly

The Company has adopted a Code of Conduct, a Securities Trading Policy, a Diversity Policy, a Whistle-blower Policy, an Anti-Bribery and Corruption Policy and a policy and procedure for related party transactions.

Principle 4 – Safeguard the integrity of corporate reports

The Company has established an Audit and Risk Management Committee which complies with the ASX Corporate Governance Principles to oversee the management of financial and internal risks.

Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

Principle 6 – Respect the rights of Shareholders

The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication via its website, to ensure that its communication with Shareholders is frequent, clear, and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

Principle 7 – Recognise and manage risk

In conjunction with the Company's other corporate governance policies, the Company has adopted an Audit and Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company, including environmental and social risks. In addition, the Board has established two standing committees to provide focused support in key areas. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee as set out in this Section 5.10. The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

6. Financial information

6.1 Introduction

The financial information of Nightingale contained in this Section 6 includes the following:

- a) Historical reported financial information for Nightingale, being the:
 - audited historical consolidated Statements of Operations for the years ended 31 December 2019 (**FY2019**), 31 December 2020 (**FY2020**) and 31 December 2021 (**FY2021**);
 - audited historical consolidated Statements of Cash Flows for the years ended FY2019, FY2020 and FY2021;
 - audited historical consolidated Balance Sheet as at 31 December 2021; and
 - pro forma historical consolidated Balance Sheet as at 31 December 2021 and the associated details of the pro forma adjustments,

(together, the **Historical Financial Information**).

Nightingale reports on a 31 December financial year end basis, and the Historical Financial Information in this Section has been presented on this basis.

6.1.1 Additional Information

Also summarised in this Section are:

- the basis of preparation and presentation of the Historical Financial Information (Section 6.2);
- a description of the key drivers affecting Nightingale's business including key financial and operating metrics including management discussion and analysis of the Historical Information (Section 6.5); and
- a summary of Nightingale's proposed dividend policy (Section 6.14).

The Historical Financial Information should be read together with the other information contained in this Prospectus including:

- the risk factors described in Section 4;
- the description of the use of the proceeds of the Offer described in Section 8.4;
- The Independent Limited Assurance Report set out in Section 7; and
- The indicative capital structure described in Section 10.4.

All amounts disclosed in this Prospectus are presented in U.S. dollars unless stated otherwise and are rounded to the nearest \$'000. Some numerical tables in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables contained in this Prospectus are due to rounding.

The Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by the Investigating Accountant, who's Independent Limited Assurance Report on the Historical Financial Information is contained in Section 7. Investors should note the scope and limitations of that report.

6.2 Basis of presentation of the Historical Financial Information

The Directors are responsible for the preparation and presentation of the Historical Financial Information.

The Historical Financial Information included in this Section 6 has been prepared in accordance with the recognition and measurement principles prescribed by Generally Accepted Accounting Principles in the United States of America (**USGAAP**) which is different to International Financial Reporting Standards (**IFRS**), the accounting principles generally accepted in Australia. A reconciliation of the main differences between USGAAP and IFRS applicable to the Company which are relevant to potential investors are discussed in Section 6.11.

The significant accounting policies of the Company relevant to the Historical Financial Information are set in Appendix 2 of the Prospectus. The accounting policies of the Company have been consistently applied throughout the periods presented.

The Historical Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

The Historical Financial Information has been prepared for inclusion in this Prospectus and has been derived from the audited historical consolidated financial statements of the Company for FY2019, FY2020 and FY2021 (the **Historical Period**). The historical consolidated financial statements of the Company for the Historical Period were audited by Grant Thornton Audit Pty Ltd. The audit opinion issued to the Directors for FY2019 and FY2020 was qualified as Grant Thornton Audit Pty Ltd was unable to observe stock takes on 31 December 2018 and 31 December 2019 on account of being appointed as auditors on 13 November 2020. Since opening inventories enter into determination of financial performance and cash flows the audit opinion has been qualified in this respect. The audit opinion issued to the Directors for FY2021 was qualified in relation to the comparative balances as a result of the previous period qualification. The audit opinions issued to the Directors in relation to FY2019, FY2020 and FY2021 also included an emphasis of matter in relation to material uncertainty of the Company to continue as a going concern.

The Historical Financial Information presented in this Prospectus has been prepared on the basis the Company will continue as a going concern following the Offer and therefore no adjustments have been made to the Historical Consolidated Financial Information on this basis.

Investors should note that past results are not a guarantee of future performance.

The pro forma historical consolidated Balance Sheet is derived from the statutory historical consolidated Balance Sheet and is adjusted to reflect:

- The receipt of financing facilities post year end including the Bridge Financing;
- the accrued interest on Convertible Notes existing at 31 December 2021;
- the conversion of Convertible Notes to Shares and/ or CDIs or New Options; and
- the impact of the Offer, including costs directly attributable to the Offer offset against additional paid in capital.

The pro forma historical consolidated Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of Nightingale.

The Historical Financial Information has been prepared for the purpose of the Offer.

6.3 New and revised accounting standards applicable to Nightingale

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for non-employee share-based payment transactions. The new standard expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 is effective for fiscal years beginning after 15 December 2019. The adoption of the new standard did not have a material impact on Nightingale's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2019. The Company has adopted the new guidance effective 1 January 2020. The adoption did not have any material impact on the Company's financial position, results of operations or related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*. The new guidance is intended to simplify aspects of the accounting for income taxes, including the elimination of certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, among other changes. ASU 2019-12 is effective for fiscal years beginning after 15 December 2020, with early adoption permitted. The guidance is to be applied prospectively at the beginning of the year of adoption. The Company has adopted the new guidance effective 1 January 2020. The adoption did not have any material impact on the Company's financial position, results of operations or related disclosures.

6.4 Historical Consolidated Statement of Operations

The table below presents the historical consolidated Statement of Operations for FY2019, FY2020 and FY2021.

Table 1: Historical Consolidated Statement of Operations

| \$'000 | FY2019 | FY2020 | FY2021 |
|---------------------------------|----------------|----------------|----------------|
| Revenue | 944 | 921 | 1,939 |
| Cost of revenue | (1,011) | (796) | (1,236) |
| Gross profit | (67) | 125 | 703 |
| R&D expenses | (3,181) | (1,855) | (2,368) |
| General administration expenses | (2,116) | (1,433) | (1,613) |
| Sales & marketing expenses | (476) | (86) | (131) |
| Loss from operations | (5,840) | (3,248) | (3,409) |
| Net other income & expense | 64 | (6) | 812 |
| Net interest | (2,101) | (257) | (804) |
| Net Loss | (7,877) | (3,512) | (3,400) |

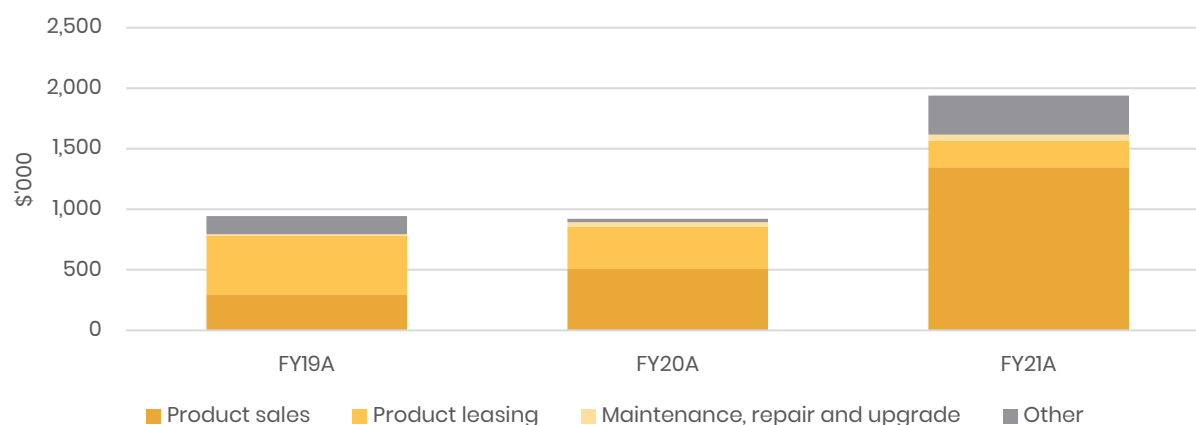
6.5 Management discussion and analysis of Historical Consolidated Financial Results

Below is a discussion of the main factors which affected Nightingale's operations and relative financial performance in FY2019, FY2020 and FY2021 or which Nightingale expects may continue to affect its financial performance in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected Nightingale's historical operating and financial performance, nor everything which may affect Nightingale's operations and financial performance in the future.

6.5.1 Drivers of Nightingale's financial performance

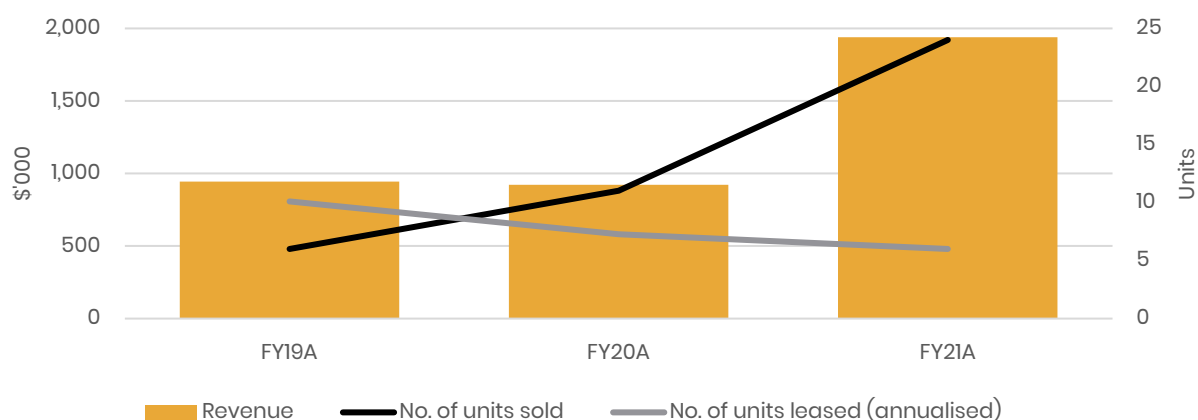
Revenue

Figure 1 Revenue by type summary



Nightingale is in the early stages of commercialisation for its range of products and services. Revenue is generated through three distinct revenue streams; product sales, product leasing, and maintenance, repair and upgrade support.

Figure 2 Revenue and number of units sold and leased summary



Product sales and product leasing

Nightingale customers have the option of either leasing or purchasing the Nightingale RAS system. Under the leasing arrangement, Nightingale will maintain ownership of the system but will lease it to a customer for use on one-to-three-year contracts. The number of units leased decreased over the Historical Period as customers would initially trial the system through a one-year lease before either purchasing the system outright or deciding to not renew. FY2019 included certain early customers leasing units on a six-month basis. Revenues increased in FY2021 as a result of an increase in product sales. This is largely attributable to growth in international markets to local resellers such as Hajaj and D13 (Australia). Nightingale entered into the distribution agreement into with Hajaj (see Section 9.1) which resulted in sales of \$650,000 in FY2021 to Hajaj alone. In general, the Company expects to lease units to U.S domestic customers and sell units to international customers.

Nightingale also generates some ancillary revenues when units are leased and sold relating to unit deployment. These relate to time spent setting up the unit and training customers.

MRU

Nightingale provides a monthly service solution that includes the technology platform, maintenance, repair and upgrade. As Nightingale has increased product sales, the MRU revenues has also increased from \$10,000 in FY2019 to \$51,000 in FY2021.

Other

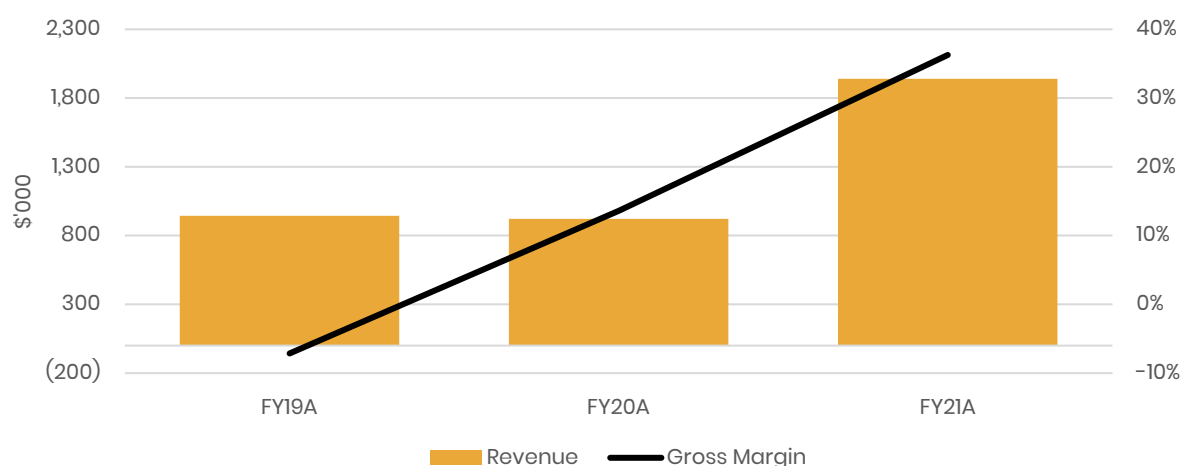
In FY2019 Nightingale undertook a one-off significant training program for a customer which contributed \$143,000 of deployment revenues.

Other revenue in FY2021 largely relates to \$200,000 R&D contribution from the USAF (See Section 9.2) to assist with adapting drone capabilities for the Air Force's purposes.

Cost of revenue and gross margin

Cost of revenue is largely comprised of manufacturing costs of the drone technology as well as salaries for field employees who perform the deployment services as well as regular maintenance and repair. Gross margin has varied year on year due to the scale of operations. Gross margin improved between FY2020 and FY2021 due to the Company maintaining a strong relationship with its main supplier of drone and base components. Deployment salaries are largely a fixed cost and this resulted in the negative gross margin in FY2019. In FY2020 deployment salaries reduced as Nightingale reduced headcount of its work force to combat the global pandemic. Deployment salaries have increased back to FY2019 levels to support the increase in revenue in FY2021.

Figure 3 Revenue and Gross margin summary



Research and Development

Research and development includes the salaries and wages of the in-house research and development team, materials and supplies and professional fees. Research and development expenses were significantly reduced in FY2020 as part of Nightingale exercising expense discipline in response to COVID-19. The main factor contributing to this decrease was Nightingale placing a freeze on contractors and a furlough of staff, saving c.\$560K and c.\$400K respectively. In FY21 the Company loosened expense discipline, started to hire staff and increase the use of contractors as the business scale grew.

General and administration

General administration expenses is largely comprised of indirect salaries and wages, professional services and other administrative expenses. COVID-19 induced cost cutting measures resulted in a reduction in general administration expenses in FY2020 through reductions in salaries and wages and travel and logistics. FY2021 expenditures are in line with FY2020 with contractor fees relating to accounting, finance and tax increasing being offset by reductions in salaries and wages, travel and other expenses.

Sales and marketing

Sales and marketing expenses decreased significantly in FY2020 following the discontinuance of the marketing team (with the function being performed by the CEO personally) and reduced travel as a result of COVID-19. This subsequently allowed the Company to maintain relatively low costs through to FY2021. Further investment in the sales and marketing function will occur through the proceeds of the Offer.

Other income

Other income in FY2021 largely relates to the PPP loan forgiveness from the U.S. government as part of their COVID-19 support package. Other trivial amounts are also included within other income for insurance claims and other ad hoc payments.

Net interest expenses

Net interest expense relates to interest payable on the Silicon Valley Bank loan and minimal interest income on cash balances. Interest expense also includes interest on the Convertible Notes which will convert to Shares upon completion of the Offer and would not be expected to continue going forward.

6.6 Statutory Historical Consolidated Cash Flows

Set out in the table below is a summary of Nightingale's Statutory Historical Consolidated Cash Flows for FY2019, FY2020 and FY2021.

Table 3: Statutory Historical Consolidated Cash Flows

| \$'000 | FY2019 | FY2020 | FY2021 |
|--|----------------|----------------|----------------|
| Cash flow from operating activities | | | |
| Reported net loss | (7,877) | (3,512) | (3,400) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Stock-based compensation expense | 85 | (103) | 47 |
| Depreciation and amortization | 222 | 250 | 198 |
| Loss on change in fair value of derivative liability | 49 | 26 | (146) |
| Gain of forgiveness of PPP loan | - | - | (674) |
| Gain on debt extinguishment of convertible notes | (97) | - | - |
| Amortization of debt discount | 1,362 | 171 | 543 |
| Amortization of issuance costs | 66 | 20 | 65 |
| Reserve on drone assets | 140 | - | - |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | (84) | 82 | (642) |
| Inventories | (243) | 306 | 7 |
| Prepayments and other assets | 52 | (9) | (312) |
| Trade payables | 247 | (299) | 18 |
| Accrued expenses | 67 | (53) | 32 |
| Accrued interest | 637 | 46 | 159 |
| Deferred revenue | (300) | 86 | 688 |
| Net operating cash flows | (5,674) | (2,989) | (3,418) |
| Investing cash flows | | | |
| Purchase of drones and base stations | (179) | (66) | - |
| Purchase of research and development drones | (216) | - | - |
| Expenditures for leasehold improvements | (60) | (10) | - |
| Purchase of property and equipment | (4) | - | (50) |
| Proceeds from sale of investment | 13 | - | - |
| Net investing cash flows | (446) | (75) | (50) |
| Net operating and investing cash flows | (6,120) | (3,065) | (3,467) |
| Financing cash flows | | | |
| Proceeds from issuance of convertible stock & notes | 5,476 | 3,855 | 2,021 |
| Proceeds from promissory notes | - | 395 | 278 |
| Proceeds from exercise of stock options | 1 | 1 | - |
| Payment of Series B issuance costs | - | (32) | (1) |
| Deferred offering costs | - | - | (13) |
| Payment of loan | (300) | (150) | (250) |
| Net financing cash flows | 5,177 | 4,069 | 2,036 |
| Net cash flows | (943) | 1,005 | (1,432) |
| Cash at the beginning of the period | 2,623 | 1,680 | 2,685 |
| Closing cash | 1,680 | 2,685 | 1,253 |

6.6.1 Discussion of historical operating cash flows

Nightingale has historically operated at a deficit operating cash flow position as a result of the majority of its operations being research and development and associated costs. Relatively small revenue has been generated over the Historical Period, compared to these costs, resulting in operating cash outflows. Movements in balance sheet items largely relate to timing.

6.6.2 Investing cash flows

Investing cash flows have historically been minimal and involve the purchase of drones and base stations for customer leases as well as R&D purposes. The majority of the investment was made in FY2019 before Nightingale reduced R&D expenditure to conserve cash.

6.6.3 Financing cash flows

Financing activities have largely related to the issue of Convertible Notes and equity. Nightingale has been financed by the receipt of funds from its capital raising activities.

6.7 Statutory and Pro Forma Historical Consolidated Balance Sheet

The table below sets out the audited historical balance sheet as at 31 December 2021, the pro forma adjustments that have been made to the audited balance sheet (further described in Section 6.9 and the pro forma balance sheet as at 31 December 2021. An unaudited convenience translation in Australian dollars of the Pro Forma Historical Consolidated Balance Sheet at 31 December 2021 has also been included (the indicative foreign exchange rate applied is A\$1.00 = US\$0.69).

The Pro Forma Historical Consolidated Balance Sheet is provided for illustrative purposes and is not represented as being necessarily indicative of Nightingale's view on its future financial position.

Table 4: Statutory and Pro Forma Historical Consolidated Balance Sheet as at 31 December 2021

| \$'000 | As at 31-Dec-21 Audited (US\$'000) | Minimum Subscription pro forma as at 31-Dec-21 (US\$'000) | Minimum Subscription pro forma as at 31-Dec-21 (A\$'000) | Maximum Subscription pro forma as at 31-Dec-21 (US\$'000) | Maximum Subscription pro forma as at 31-Dec-21 (A\$'000) |
|--------------------------------------|---|--|---|--|---|
| Current assets | | | | | |
| Cash and cash equivalents | 1,253 | 6,413 | 9,294 | 7,711 | 11,176 |
| Trade receivables | 762 | 762 | 1,104 | 762 | 1,104 |
| Inventories | 105 | 105 | 151 | 105 | 151 |
| Prepayments and other assets | 319 | 306 | 443 | 306 | 443 |
| Total current assets | 2,438 | 7,586 | 10,992 | 8,884 | 12,874 |
| Non-current assets | | | | | |
| Property, plant and equipment | 66 | 66 | 95 | 66 | 95 |
| Operating lease assets | 225 | 225 | 327 | 225 | 327 |
| R&D assets | 19 | 19 | 28 | 19 | 28 |
| Other assets | 46 | 46 | 67 | 46 | 67 |
| Total non-current assets | 356 | 356 | 517 | 356 | 517 |
| Total assets | 2,795 | 7,942 | 11,509 | 9,240 | 13,391 |
| Current liabilities | | | | | |
| Trade payables | 132 | 132 | 192 | 132 | 192 |
| Accrued expenses | 76 | 76 | 110 | 76 | 110 |
| Accrued interest | 207 | - | - | - | - |
| Deferred revenue | 893 | 893 | 1,294 | 893 | 1,294 |
| Total current liabilities | 1,309 | 1,101 | 1,596 | 1,101 | 1,596 |
| Non-current liabilities | | | | | |
| Convertible notes | 1,926 | - | - | - | - |
| Borrowings | - | 869 | 1,259 | 869 | 1,259 |
| Derivative liability | 1,906 | - | - | - | - |
| Total non-current liabilities | 3,832 | 869 | 1,259 | 869 | 1,259 |
| Total liabilities | 5,141 | 1,970 | 2,855 | 1,970 | 2,855 |
| Net assets | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 |
| Shareholder's equity | | | | | |
| Share capital | 22,969 | 29,942 | 43,394 | 31,240 | 45,276 |
| Reserves | - | - | - | - | - |
| Accumulated losses | (25,315) | (23,970) | (34,740) | (23,970) | (34,740) |
| Total shareholder's equity | (2,346) | 5,972 | 8,654 | 7,270 | 10,536 |

Notes: Description of key Balance Sheet items

1. Cash and cash equivalents: represent the balances held in various bank accounts;
2. Trade receivables represent amounts owed by customers;
3. Prepayments and other assets represent various pre-paid expenses;
4. Property, plant & equipment represent fixed assets (predominately computer equipment and leasehold improvements);
5. Other assets represents the initial investment in NIS UK;
6. Operating lease assets comprise of drone and base inventory currently leased to customers;
7. R&D assets comprise of drones and bases held for development purposes;
8. Trade payables predominantly relate to operating costs given that inventory suppliers are mostly pre-paid.
9. Accrued expenses relates predominantly to accrued rent and payroll and accrued vacation leave (annual leave);
10. Accrued interest relates to recognised interest on borrowings;
11. Deferred revenue relates to income received in advance from customers;
12. Convertible notes have been issued in tranches over the Historical Period, the majority carrying an interest rate of 15% p.a.; and
13. Derivative liabilities relates to the conversion terms of the Convertible Notes and is extinguished on conversion of the Convertible Notes.

6.8 Pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before completion of the Offer, referred to as the Pro Forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 31 December 2021 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 31 December 2021 and the date of this Prospectus, which the Directors consider require disclosure.

Subsequent event transactions:

1. The receipt of the U.S Small Business Administration (SBA) promissory note of \$0.15 million (A\$0.2 million) in March 2022.
2. Proceeds received of approximately \$0.7 million (A\$1.0 million) in relation to the Bridge Financing (refer Section 9.6). This was received in two equal tranches in May and June 2022.
3. The accrual of interest in relation to the Convertible Notes held from 31 December 2021 until the Offer date for a total of \$0.56 million.
4. The conversion of principal and interest outstanding on all Convertible Notes into 27,508,295 Shares. This will include an adjustment to fair value the derivative liability at the conversion date, with any excess amounts being recorded against retained earnings. A total of \$48,000 (A\$70,000) of convertible notes and accrued interest will be repaid in cash.

Pro forma transactions:

5. The completion of the Offer on a Minimum Subscription basis, raising approximately c.\$5.5 million (A\$8.0 million) and involving the issue of 22,857,143 CDIs (22,857,143 shares);
6. Expenses associated with the Offer on a Minimum Subscription basis (including advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses), charged against share capital. The total amounts to an estimated \$1.2 million (c.A\$1.7 million). As at 31 December 2021 the Company has paid \$13,000 (A\$19,000) of Offer costs recorded against other assets;
7. The issue of an additional 5,714,286 CDIs (5,714,286 shares) to raise an additional c.\$1.4 million (A\$2.0 million) (Maximum Subscription); and
8. Payment of additional cash offer costs of \$84,000 (A\$122,000) on a Maximum Subscription basis with a total of \$1.3 million (A\$1.8 million) being capitalised to share capital.

6.9 Pro forma cash and cash equivalents

Table 5: Pro forma cash and cash equivalents summary

| \$'000 | Ref. | Minimum Subscription | Maximum Subscription |
|--|------|----------------------|----------------------|
| | | Dec-21 | Dec-21 |
| Audited cash and cash equivalents as at 31 December 2021 | | 1,253 | 1,253 |
| Subsequent event transactions | | | |
| SBA promissory note | 1 | 150 | 150 |
| Bridge convertible notes | 2 | 719 | 719 |
| Repayment of convertible notes and accrued interest (cash portion) | 4 | (48) | (48) |
| Pro forma transactions | | | |
| Offer | 5&7 | 5,517 | 6,900 |
| Offer costs | 6&8 | (1,178) | (1,263) |
| Pro forma cash and cash equivalents | | 6,413 | 7,711 |

Nightingale expects that it will have sufficient cash to fund its operational requirements and business objectives following the Offer to at least July 2024.

6.10 Pro forma capital structure

Table 6: Pro forma capital structure as at 31 December 2021

| | No. of shares/ CDIs | Share capital (\$'000) | Accum. Losses (\$'000) | SBP reserve (\$'000) | Net assets (\$'000) |
|--|---------------------------|------------------------------|------------------------------|----------------------------|------------------------|
| As at 31 December 2021 | 60,863,387 | 22,969 | (25,315) | - | (2,346) |
| Subsequent events | | | | | |
| Founder shares issued at nil value ¹ | 3,500,000 | - | - | - | - |
| Convertible note accrued interest | - | - | (561) | - | (561) |
| Convertible Note conversion | 27,508,295 | 2,648 | 1,906 | - | 4,554 |
| Pre offer capital structure | 91,342,034 | 25,617 | (23,970) | - | 1,647 |
| Pro forma transactions in relation to the minimum offer | | | | | |
| Public offer | 22,857,143 | 5,517 | - | - | 5,517 |
| Lead Manager and Corporate Adviser shares | 400,000 | - | - | - | - |
| Offer costs | - | (1,192) | - | - | (1,192) |
| Total | 114,599,177 | 29,942 | (23,970) | - | 5,972 |
| Pro forma transactions in relation to the maximum offer | | | | | |
| Public offer | 28,571,429 | 6,900 | - | - | 6,900 |
| Offer costs | - | (1,277) | - | - | (1,277) |
| Total | 120,313,463 | 31,240 | (23,970) | - | 7,270 |

1. 3,500,000 shares issued at nil value does not result in an accounting entry to be recorded in the pro forma balance sheet under US GAAP.

6.11 Indebtedness and Capitalisation

The below table sets out the indebtedness and capitalisation of Nightingale as at 31 December 2021, before and following the completion of the Offer:

Table 7: Indebtedness and capitalisation as at 31 December 2021

| \$'000 | Before completion of the Offer | Minimum | Maximum |
|--|--------------------------------|-------------------------------|-------------------------------|
| | | After completion of the Offer | After completion of the Offer |
| Cash and cash equivalents | 1,253 | 6,413 | 7,711 |
| Convertible notes | (1,926) | - | - |
| Borrowings | - | (869) | (869) |
| Derivative liability | (1,906) | - | - |
| Total net indebtedness | (2,579) | 5,544 | 6,842 |
| Share capital | 22,969 | 29,942 | 31,240 |
| Reserves | - | - | - |
| Accumulated losses | (25,315) | (23,970) | (23,970) |
| Total equity | (2,346) | 5,972 | 7,270 |
| Total capitalisation and indebtedness | (4,925) | 11,516 | 14,112 |

In November 2021, the Company entered into a Loan Authorisation Agreement with the U.S. Small Business Administration under which the Company received a loan of \$150,000 (the “promissory note”). The promissory note earned interest at 3.5% per annum with instalment payments, including principal and interest, of \$731 per month, to begin twelve months from the date of the promissory note. The principal and interest will be payable thirty years from the date of the promissory note. The proceeds from the promissory note were received in March 2022.

In May 2022, the Company entered into the Bridge Financing with Sophisticated/ Professional investors under which the Company received a loan of approximately \$0.7 million. The Company will repay subscribers their loan amount together with 10% interest, with the loan and interest either payable and due in October 2022 or converted to shares at the discretion of the lender (See Section 9.6).

6.12 Reconciliation between USGAAP and IFRS

The Historical Consolidated Financial Information contained in this Prospectus has been prepared in accordance with USGAAP which is different to International Financial Reporting Standards (IFRS), the accounting principles generally accepted in Australia. The Company intends to apply for relief from ASIC so that it is not required to prepare financial statements in accordance with IFRS. The Company presently intends to continue to report in USGAAP but if relief is not obtained, financial information will only be prepared under IFRS to supplement the financial information prepared under USGAAP. ASX has separately confirmed that the Company may solely report in USGAAP once listed on the ASX (and the audit of those financial reports be conducted in accordance with Australian auditing standards).

The Directors have reviewed the differences between USGAAP and IFRS applicable to the Company and also which are considered relevant to potential investors. Accordingly, although historically the recognition and measurement of the Convertible Notes would have been different under IFRS compared to USGAAP, as these instruments all convert to Shares on completion of the Offer, the Directors do not consider these differences relevant to potential investors under the Offer.

Therefore, the Directors have identified the following material differences relevant to potential investors under the Offer relating to the Pro Forma Historical Consolidated Statement of Operations for FY2019, FY2020 and FY2021.

6.12.1 Research and development expenditure

The Company has incurred both internal and third party research and development expenditure from inception to 31 December 2021. Under USGAAP, these costs are expensed as incurred whilst under IFRS, research costs are expensed and development costs may be capitalised provided the recognition criteria based on achieving technical feasibility milestones are met and are then amortised over the expected useful life of the product. As such, for a determination of research and development expenditure which may capitalised, recognition criteria must be applied to the research and development expenditure attributable to the development of its products. Accordingly, if the Company had historically reported in accordance with AIFRS at 31 December 2021, an intangible asset of approximately \$3.9 million would be recognised. This includes capitalised costs of \$6.8 million incurred during the Review Period with accumulated amortisation of \$2.9 million.

6.12.2 Costs of the Offer

Under USGAAP, costs incurred in issuing CDIs and New Options and listing the Company on the ASX are classified as a reduction of equity (additional paid in capital) (or as an asset until the CDIs and New Options are issued). Under IFRS, only those costs of the Offer directly attributable to additional issued Shares, CDIs and New Options under the Offer can be offset against equity. Expenses relating to listing the Company for the benefit of existing Security Holders are required to be expensed and costs relating to all Security Holders are split between equity and expenses based on the proportion of security holding (on a fully diluted basis) of new and existing Security Holders. Accordingly, if the Directors had prepared the Pro forma Historical Consolidated Balance Sheet in Section 6.7 in accordance with IFRS, approximately \$0.3 million of the estimated \$1.2 million of costs of the Offer assuming the minimum offer is achieved) would be treated as an expense through the statement of operations rather than offset against stockholders equity.

6.12.3 Leases

Under USGAAP, leases are classified as either finance or operating. Finance lease classification resulted in a liability that was recorded on a company's balance sheet, whereas operating leases do not impact the balance sheet. Operating leases may have been disclosed in the footnotes of the financial statements, at times with the Commitments and Contingencies disclosure. ASC 842, similar to IFRS 16 is effective for annual periods beginning after 15 December 2021.

Under AIFRS, The distinction between operating and finance leases is eliminated for lessees, and a new lease asset (representing the right to use the leased item for the lease term) and lease liability (representing the obligation to pay rentals) are recognised for all leases (except for exempted short term leases and low value asset leases). As such, the Company recognises a right-of-use asset and lease liability based on the discounted payments required under the lease, taking into account the lease term as determined under the standard. Accordingly, if the Directors had prepared the Pro forma Historical Consolidated Balance Sheet in Section 6.7 in accordance with IFRS, an estimated \$14,000 would be treated as a Right-of-use asset and lease liability respectively.

Table 8: Reconciliation of pro forma net loss (USGAAP vs AIFRS)

| \$'000 | FY2019 | FY2020 | FY2021 |
|---|---------|---------|---------|
| NLAT (under USGAAP) | (7,877) | (3,512) | (3,400) |
| Add back: development costs expensed | 2,946 | 1,676 | 2,235 |
| Less: amortisation of development costs | (589) | (925) | (1,372) |
| Add back: rent reversal | 155 | 167 | 171 |
| Less: interest expense | (22) | (16) | (6) |
| Less: depreciation expense | (133) | (151) | (164) |
| NLAT (under AIFRS) | (5,520) | (2,761) | (2,536) |

6.13 Commitments and Contingencies

In the normal course of business, the Company enters into contracts that contain various representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because any claims that may be made against the Company in the future have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations and, accordingly, the Company believes that the fair value of these indemnification obligations is minimal and has not accrued any amounts for these obligations.

6.14 Dividend policy

The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate declaring any dividends in the foreseeable future.

7. Investigating accountant's report

The Board of Directors
Nightingale Intelligent Security Inc.
8450 Central Ave, Suite 1A
NEWARK CA 94560

**Grant Thornton Corporate
Finance Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230
T +61 2 8297 2400

19 August 2022

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Nightingale Intelligent Systems Inc. ("Nightingale" or the "the Company") for inclusion in the Replacement Prospectus dated 19 August 2022 (the "Prospectus") in respect of the initial public offering of fully paid CHESS Depositary Interests in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an appropriate Australian Financial Services Licence (AFS Licence Number 247140) under the Corporations Act 2001 for the issue of this report. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

Grant Thornton Corporate Finance has been engaged by the Directors of the Company to perform a limited assurance engagement in relation to the following historical financial information included in Section 6 of the Prospectus:

Statutory Consolidated Historical Financial Information

- The audited historical consolidated Statement of Operations and audited historical consolidated Statement of Cash flows for the years ended 31 December 2019 ("FY2019"), 31 December 2020 ("FY2020"), and 31 December 2021 ("FY2021") which are included in Section 6.4 and Section 6.6 of the Prospectus respectively; and
- The audited historical consolidated Balance Sheet as at 31 December 2021 which is included in Section 6.7 of the Prospectus;

(together the "Statutory Consolidated Historical Financial Information").

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Pro Forma Consolidated Historical Financial Information

- The pro forma historical consolidated Balance Sheet as at 31 December 2021 and the pro forma adjustments applied as at that date which is included in Section 6.8 of the Prospectus.

(the “Pro Forma Consolidated Historical Financial Information”)

(together the **Historical Financial Information**)

The Historical Financial Information is presented in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The Historical Financial Information have been prepared for inclusion in the Prospectus and has been derived from the audited consolidated financial statements of Nightingale Intelligent Systems Inc. and its controlled entities. The consolidated financial statements of Nightingale Intelligent Systems Inc. for FY2019, FY2020 and FY2021 were prepared for the purpose of the Prospectus and were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The audit opinion issued to the Directors for FY2019 and FY2020 was qualified as Grant Thornton Audit Pty Ltd was unable to observe stock takes on 31 December 2018 and 31 December 2019 on account of being appointed as auditors on 13 November 2020. Since opening inventories enter into determination of financial performance and cash flows the audit opinion has been qualified in this respect. The audit opinion issued to the Directors for FY2021 was qualified in relation to the comparative balances as a result of the previous period qualification. The audit opinions issued to the Directors in relation to FY2019, FY2020 and FY2021 also included an emphasis of matter in relation to material uncertainty of the Company to continue as a going concern.

As described in Section 6.2 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Generally Accepted Accounting Principles in the United States of America (USGAAP) and the Group’s adopted accounting policies as described in Appendix 2 of the Prospectus.

The Pro Forma Consolidated Historical Financial Information has been derived from the Statutory Consolidated Historical Financial Information after adjusting for the effects of the pro forma adjustments described in Section 6.8 of the Prospectus (the “Pro Forma Adjustments”). The stated basis of preparation is the recognition and measurement principles contained in Generally Accepted Accounting Standards in the United States of America and the Company’s adopted accounting policies applied to the Pro Forma Adjustments as if those events or transactions had occurred as at the date of the Statutory Consolidated Historical Financial Information. Due to its nature, the Pro Forma Consolidated Historical Financial Information does not represent the Company’s actual or prospective financial position, financial performance or cash flows.

Directors’ Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information including the selection and determination of the pro forma adjustments made to the Statutory Consolidated Historical Financial Information and included in the Pro Forma Consolidated Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Consolidated Historical Financial Information and the Pro Forma Consolidated Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Statutory Consolidated Historical Financial Information and the Pro Forma Consolidated Historical Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: “*Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information*”.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report of the Group used as a source of the financial information.

We have performed the following procedures which we, in our professional judgement, considered reasonable in the circumstances.

Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Statutory Consolidated Historical Financial Information from the audited financial statements of the Group covering FY19, FY20 and FY21.
- consideration of the appropriateness of the pro forma adjustments described in Section 6.8 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information;
- analytical procedures applied to the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Group and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information.

Conclusion

Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Consolidated Historical Financial Information and Pro forma Consolidated Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 6.2 of the Prospectus and (in respect of the Pro Forma Consolidated Historical Financial Information) the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in Section 6.8 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Pro forma Consolidated Historical Financial Information.

Restriction on Use

Without modifying our conclusion, we draw your attention to Section 6.2 of the Prospectus which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Independent Limited Assurance Report may not be suitable for another purpose.

Consent

Grant Thornton Corporate Finance consents to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included and to being named in the Prospectus as the Investigating Accountant.

Liability

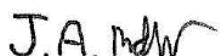
The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully,

GRANT THORNTON CORPORATE FINANCE PTY LTD

A handwritten signature in black ink, appearing to read 'J.A. Mather', with a stylized flourish at the end.

JONATHAN MATHER

Partner

Appendix A (Financial Services Guide)

This Financial Services Guide is dated 19 August 2022.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Nightingale Intelligent Systems Inc. ("Nightingale" or "the Company") to provide a report in the form of an Independent Limited Assurance Report (the "Report") for inclusion in a Replacement Prospectus dated on or about 19 August 2022 (the "Prospectus") relating to the offer of fully paid CHESS Depositary Interests in the Company (the "Offer"). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

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4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, Grant Thornton Corporate Finance will receive from the Company a fee of \$115,000 (excluding GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd.

None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Independence

Grant Thornton Corporate Finance is required to be independent of Nightingale in order to provide this Report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Nightingale Intelligent Systems Inc. that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678 (free call)

Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000

8. Details of the Offer

8.1 What is the Offer?

The Company is offering for subscription a minimum of 22,857,143 CDIs and a maximum of 28,571,429 CDIs, and 1 New Option for every 3 CDIs subscribed for at an Offer Price of A\$0.35 per CDI to raise between A\$8,000,000 and A\$10,000,000.

The Offer comprises:

- the **Institutional Offer**, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for CDIs and New Options;
- the **Broker Firm Offer**, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker; and
- the **Chairman's List Offer**, which is open to persons in Australia and the United States who have received a Chairman's list invitation from the Company.

The allocation of CDIs and New Options between the Broker Firm Offer, the Institutional Offer and the Chairman's List Offer will be determined by agreement between the Company and the Lead Manager having regard to the allocation policies described in Sections 8.7 and 8.8.

8.2 Is the Offer underwritten?

No, the offer is not underwritten.

8.3 Minimum Subscription

The minimum amount which must be raised under this Prospectus is A\$8,000,000. Subject to any legal extension, if the minimum subscription has not been raised within 4 months after the date of this Prospectus, the Company will not issue any CDIs or New Options and will repay all application monies for the CDIs within the time prescribed under the Corporations Act, without interest.

8.4 Use of Funds

| | Minimum Subscription A\$'(000) | Minimum Subscription US\$'(000) | Minimum Subscription % of funds raised | Maximum Subscription A\$'(000) | Maximum Subscription US\$'(000) | Maximum Subscription % of funds raised |
|-------------------------------|-----------------------------------|------------------------------------|---|-----------------------------------|------------------------------------|---|
| Sales and Marketing | 1,585 | 1,093 | 20% | 2,310 | 1,592 | 23% |
| Research and Development | 1,798 | 1,240 | 22% | 2,439 | 1,682 | 24% |
| Repayment of Bridge Financing | 550 | 379 | 7% | 550 | 379 | 6% |
| Costs of the Offer | 1,708 | 1,178 | 22% | 1,830 | 1,262 | 18% |
| Working capital | 2,359 | 1,627 | 29% | 2,871 | 1,985 | 29% |
| Total uses | 8,000 | 5,517 | 100% | 10,000 | 6,900 | 100% |

1. The Company will use working capital to pay for deployment expenses such as manufacturing UAS and Base components, establishing new offices and engaging approximately 8-12 new staff members, marketing, advertising and other general administrative costs such as travel, directors' fees, legal, audit and drone registration costs.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on several factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions.

Considering this, the Board reserves its right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be primarily in U.S. dollars, the actual amount of the proceeds used for each of the items above will depend on the A\$:US\$ exchange rate at the time that the funds are converted to U.S. dollars.

The Board believes that the Company's current cash reserves, its cashflow from existing operations, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives, including to:

- Fund and accelerate Nightingale's growth strategy
- Fund the research and development of new products; and
- Fund working capital requirements

To the extent that investors exercise the New Options after listing, the Company intends to apply any proceeds of such exercise towards Sales and Marketing, Research and development and working capital.

8.5 Summary Terms of the Offer

| | |
|--|--|
| What type of security is being offered? | The Company will be offering CHESS Depositary Interests in the Company under the Offer. Each CDI represents an interest in one Share in the Company. One New Option will be offered for every three CDIs. |
| What rights and liabilities are attached to the CDIs being offered? | The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company. There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Section 10.12. |
| What is the Offer Price? | A\$0.35 per CDI (or US\$0.24 for US investors applying under the Chairman's List Offer). |
| What are the terms of the New Options? | Each New Option is a right to subscribed for 1 Share or CDI. Applicants will receive 1 New Option for every 3 CDIs subscribed for under the Offer. The Company will apply for the New Options to be quoted on the ASX. |
| What is the New Option Exercise Price? | A\$0.50 per CDI. |
| What is the Exercise Period of the New Options? | The New Options are exercisable at any time prior to 12 September 2025, being three years from the anticipated listing date. |
| What is the Offer Period? | Offer period opens: 22 August 2022. Offer period closes: 2 September 2022. The Board reserves the right to close the Offer early, to accept late Applications or to extend the Offer. |
| What are the cash proceeds to be raised? | Gross proceeds between a minimum of A\$8,000,000 and a maximum of a A\$10,000,000 will be raised by the Company from the issue of CDIs and New Options by the Company under the Offer. If all the New Options were exercised, the Company would obtain additional proceeds of A\$3,809,524 based on the Minimum Subscription and A\$4,761,905 based on Maximum Subscription. |
| Is the Offer underwritten? | No, the offer is not underwritten. |
| What is the minimum and maximum Application size under the Offer? | Applications must be for a minimum of 6,000 CDIs and multiples of 1,000 CDIs thereafter. The Lead Manager and the Company reserve the right to reject any Application or to allocate a lesser number of CDIs than applied for. There is no maximum number or value of CDIs that may be applied for under the Offer. |

| | |
|--|--|
| Will the CDIs and New Options be listed? | Yes. The Company will apply for quotation of the CDIs and New Options on the ASX within 7 days of the date of this Prospectus. |
| When are the CDIs and New Options expected to commence trading? | 16 September 2022. |
| When will I receive confirmation that my Application has been successful? | It is expected that initial holding statements will be dispatched on 12 September 2022. |
| Are there any escrow arrangements? | Yes. Details are provided in Section 10.10. |
| Is there brokerage, commission, or stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of CDIs and New Options under the Offer. |
| Are there any tax considerations? | Refer to Section 8.14. |
| What should you do with any enquiries? | <p>If you would like more information or have any questions relating to the Offer, you can contact the Lead Manager on +61 2 9375 0100.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer, or other professional adviser.</p> |

8.6 Broker Firm Offer

Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of CDIs and New Options from their Broker and who have a registered address in Australia. If you have received a firm allocation of CDIs and New Options from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of CDIs and New Options from them under the Broker Firm Offer.

How to apply?

If you have received an allocation of CDIs and New Options from your Broker and wish to apply for those CDIs and New Options under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions.

Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Application Form. Your Broker will act as your agent, and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm AEST on the Closing Date or any earlier closing date as determined by your Broker.

Applications for CDIs must be for a minimum of 6,000 CDIs and payment for the CDIs must be made in full at the issue price of A\$0.35 per CDI. There is no maximum number or value of CDIs that may be applied for under the Offer. However, the Company and the Lead Manager reserve the right to reject or scale back any Applications in the Offer. The Company may determine a person to be eligible to participate in the Offer and may amend or waive the Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Offer opens at 9am AEST on 22 August 2022 and is expected to close at 5.00pm AEST on 2 September 2022. The Company and the Lead Manager may elect to close the Offer or extend the Offer or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided to you by that Broker.

Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to apply for the amount of CDIs and New Options specified in the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of CDIs and New Options to successful Applicants. The Lead Manager, in agreement with the Company, reserves the right to reject any Application which is not correctly completed, or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose bank account until CDIs and New Options are issued to successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of CDIs or New Options than the amount applied, will be mailed a refund (without interest) for all or part of their Application Monies, as applicable. No refunds due solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

To participate in the Offer, the Application Form must be completed and received, together with the Application Monies, in accordance with the instructions on the Application Form.

Allocation policy under the Broker Firm Offer

The allocation of Shares to Brokers under the Broker Firm Offer will be determined by agreement between the Lead Manager and the Company. It is a matter for Brokers as to how they allocate Shares among their retail clients. There is no assurance that any person will be allocated any Shares or the number of Shares for which they apply

8.7 Institutional Offer

Who can apply?

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain foreign jurisdictions to apply for CDIs and New Options. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

Allocation policy under the Institutional Offer

The allocation of CDIs and New Options among Applicants in the Institutional Offer was determined by agreement between the Lead Manager and the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of CDIs and New Options among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of CDIs and New Options, if any, by the Lead Manager.

The allocation policy was influenced, but not constrained, by the following factors:

- the number of CDIs or New Options bid for by particular Applicants;
- the timelines of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following listing on ASX;
- the Company's desire to establish a wide spread of Institutional Shareholders;
- the overall anticipated level of demand under the Broker Firm Offer, Chairman's List Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular bidders will be long-term Security Holders; and
- any other factors that the Company and the Lead Manager considers appropriate.

8.8 Chairman's List Offer

How to Apply?

The Chairman's List Offer is open to selected investors in Australia and the United States nominated by the Company to participate in the Chairman's List Offer. Details of how to apply are set out in the invitation letter accompanying this Prospectus.

Allocation policy under Chairman's list offer

Allocations are at the absolute discretion of the Company.

8.9 Discretion regarding the Offer

The Company may withdraw the Offer at any time before settlement of the issue of CDIs and New Options to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CDIs and New Options than applied or bid.

8.10 About the CDIs

The Company is incorporated in Delaware, U.S. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

1 CDI represents 1 underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (**CDN**), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI holder. CDIs will be CHESS-approved from the date of Official Quotation in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares that the Company has previously issued. Investors should note that there are certain differences between Shares in the Company and ordinary shares which are typically issued by Australian incorporated public companies. A summary of the key rights attaching to CDIs and Shares is set out in Sections 10.9 and 10.12 and a comparison of the rights attaching to CDIs and Shares with rights of holders of shares in an Australian listed company is set out in Section 10.11.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares as described in Section 10.12, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX, as described in Section 10.12.

8.11 Substantial Holders

The table below sets out the interests of the Existing Shareholders as at the date of this Prospectus and immediately following the Offer who hold a substantial interest in Securities of the Company. The table does not reflect any CDIs which the Existing Shareholders may subscribe for under the Offer.

| Name | Shares before IPO ¹ | Before IPO % ¹ | Options | RSUs | Min. \$8m% after IPO (undiluted) | Min. \$10m % after IPO (undiluted) | Min. \$8m% after IPO (fully diluted) | Min. \$10m % after IPO (fully diluted) |
|------------------------|--------------------------------|---------------------------|------------------|------------------|----------------------------------|------------------------------------|--------------------------------------|--|
| BVM Fund LLC | 14,480,907 | 22.50% | - | - | 12.58% | 11.98% | 10.66% | 10.10% |
| Motasim Faleh H. Hajaj | 13,782,660 | 21.43% | - | - | 11.98% | 11.41% | 10.16% | 9.62% |
| Jack Wu | 4,250,000 | 6.60% | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% |
| John Hsu | 4,250,000 | 6.60% | 2,200,000 | 3,500,000 | 3.69% | 3.52% | 7.33% | 6.94% |
| Total | 36,773,567 | 57.13% | 4,400,000 | 7,000,000 | 31.94% | 30.43% | 35.48% | 33.59% |

1. Assuming all preference shares and warrants were converted to Shares prior to the Prospectus Date.

8.12 ASX listing

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the official list of ASX and for its CDIs and New Options to be granted official quotation by ASX. The Company is not currently seeking a listing of its Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the CDIs and New Options is not to be taken in any way as an indication of the merits of the Company or the CDIs and New Options offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the CDIs and New Options, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs and New Options. Applicants who sell CDIs and New Options before they receive confirmation of their allotment will do so at their own risk.

If permission for quotation of the CDIs and New Options is not granted within three months after the date of this Prospectus, all Application Amounts received by the Company will be refunded without interest as soon as practicable.

8.13 CHESS and Issuer sponsored holdings

The Company will apply to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the CDIs and New Options become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the CDIs of a Security Holder who is a participant in CHESS or a Security Holder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other CDIs will be registered on the issuer sponsored sub-register.

Following Completion, Security Holders will be sent a holding statement that sets out the number of CDIs and New Options that have been allocated to them. This statement will also provide details of a Security Holders Holder Identification Number (HIN) for CHESS holders or, where applicable, the Security Holders Reference Number (SRN) for issuer sponsored holders. CDI holders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

CDIs holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the CDI holder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

8.14 Tax implications of investing in the Company

The taxation consequences of any investment in the CDIs, New Options or Shares issued on conversion of CDIs will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.15 and are based on current tax law and ATO tax rulings. A general overview of the US taxation implications of investing in the Company are set out in Section 10.14. The tax advice in these sections is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

8.15 Overseas distribution

No action has been taken to register or qualify the offer of CDIs and New Options under this Prospectus, or to otherwise permit a public offering of CDIs and New Options, in any jurisdiction outside Australia.

Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

United States residents

The CDIs and New Options being offered pursuant to this Prospectus have not been registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs, New Options or Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the CDIs, New Options or Shares may not be conducted unless in compliance with the U.S. Securities Act.

Hong Kong residents

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the CDIs and the Options may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the CDIs or the Options has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to such securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted such securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore residents

This document and any other materials relating to the CDIs or the Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of such securities, may not be issued, circulated or distributed, nor may such securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the CDIs or the Options being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire such securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

9. Material contracts

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

9.1 Distributor Agreements

Nightingale enters into distributor agreements with local resellers that are engaged on behalf of Nightingale to promote international markets, sales and distribution. These local resellers generally purchase products upfront at a discount and resell those products to their customers. The primary resellers for Nightingale are Hajaj which is a local reseller in the Middle East and Department 13 which is a local reseller in Australia. The key terms of these distributor agreements are set out below.

9.1.1 Regional distributor agreement – Middle East

The Regional Distributor Agreement between Nightingale and Hajaj is a key distributor agreement under which Nightingale has engaged Hajaj to develop Nightingale's business in certain territories in the Middle East and North Africa. Pursuant to the Regional Distributor Agreement, Hajaj has agreed to act as a regional and country distributor by marketing, selling, leasing, distributing and demonstrating products and services offered by Nightingale in accordance with the following terms:

- **Term:** The parties have agreed to a term of three (3) years beginning on 28 July 2021 and the agreement provides that it can be renewed upon the prior written agreement of the parties.
- **Termination:** In the event of default by Hajaj under the agreement, Nightingale may immediately terminate the agreement at any time after such default by providing Hajaj with written notice. If either party defaults by failing to perform any of their material obligations under the agreement and does not cure such default within thirty (30) days of receiving written notice of such default, the party giving notice may terminate the agreement by written notice at any time thereafter. Nightingale may terminate the agreement for convenience by providing Hajaj with thirty (30) days' written notice.
- **Pricing:** Prices for the equipment and licensed software covered by the agreement are based on the prices in effect on the date Nightingale receives a purchase order from Hajaj. Nightingale has agreed to maintain its prices during the initial three (3) years of the agreement. Thereafter, prices will be determined by the parties' mutual written agreement every three (3) years. Nightingale has agreed to use reasonable efforts to provide Hajaj written notice of any changes to the prices ninety (90) days before the new prices become effective.
- **Undertakings:** Nightingale has agreed to grant Hajaj a non-transferable license to market, sell, lease, distribute, and demonstrate the products to end-users during the term of the agreement. Subject to a number of conditions, Nightingale has agreed that this license will be exclusive to Hajaj in the authorised territory for a period of eighteen (18) months from the effective date of 28 July 2021. Hajaj has agreed to submit a forecast of its projected purchases for a one hundred and eighty (180) day rolling period, within ten (10) days after the beginning of each quarter to Nightingale. Hajaj has also agreed to order products by submitting written purchase orders to Nightingale.
- **Liability:** Each party's total liability under the Regional Distributor Agreement is capped at the cumulative amount paid and payable from Hajaj in the twelve (12) months immediately preceding the event which gave rise to the claim, except for violations of the other party's intellectual property rights, breaches of confidentiality, and violations of a party's indemnity obligations.
- **Limited Warranties:** Hajaj certifies and represents that it has the authority to execute the Regional Distributor Agreement, fulfil all its rights and obligations under the agreement, and to participate in the Nightingale Reseller Program. Nightingale warrants to Hajaj, subject to a few exceptions, that for a period of six (6) months after the date of receipt of the product by the end-user or Hajaj, such product will conform in all material respects to all written documentation and specifications for such product.

- **Intellectual Property:** The intellectual property rights in the products are and will remain the sole and exclusive property of Nightingale. Nightingale has rights to all copies of the products and all modifications to, and derivative works based upon, the products.
- **Governing law:** The agreement is governed exclusively by the laws of England and Wales.

The Regional Distributor Agreement sets out other typical market terms, including with respect to taxes, indemnification, and confidentiality.

9.1.2 Department 13 Agreement

Nightingale entered into a Reseller Agreement with Department 13 International Pty Ltd (Department 13, as the reseller) on 1 May 2022 for the resale of aerial robotic system products. Department 13 has agreed to promote and sell these products and to provide adequate technical support for hardware and software as well as maintenance, repair and upgrade services to its customers.

- **Term:** The term is 1 year beginning on 1 May 2022 and ending on 30 April 2023. The agreement will automatically renew for additional 1 year periods, unless either party provides written notice of non-renewal at least 60 days' prior to the expiration of the current term.
- **Termination:** Either party may terminate the agreement for convenience on 60 days' written notice to the other party.
- **Exclusivity:** Department 13 is appointed as a non-exclusive independent reseller.
- **Warranty:** The blackbird product (drone and base only) is warranted by the Company for workmanship and manufacturing defects for a period of 1 year from the date of installation of the product at the customer site. The warranty does not cover the FLIR camera system.
- **Governing law:** The agreement is governed exclusively by the laws of the State of California.

9.2 US Air Force contract

Nightingale has entered into an agreement with the United States Air Force (**USAF**) under the Small Business Innovation Research (**SBIR**) / Small Business Technology Transfer (**STTR**) program.

Pursuant to the terms of this agreement, Nightingale has agreed to deliver its products to a USAF base, train individuals on how to use the products, conduct trials with the products, and adapt the product to the USAF's needs. Under this agreement, Nightingale is subject to various requirements of the SBIR/STTR program, including provisions that govern primary employment, the purchase of American-made equipment, product packaging and marking, requirements for research and analytical work, communications monitoring, safety compliance, flight testing compliance and ground and flight risks. Nightingale is also subject to a number of provisions that govern patent rights and ownership as well as rights in data and computer software.

9.3 Supply and manufacturing agreements

Nightingale does not generally have long term written contracts with its suppliers of components for its products. Instead, supply arrangements are governed primarily by standard purchase orders that include product specifications. Nightingale works closely with suppliers to forecast business volumes and activities. Most of the components used in Nightingale's products are off the shelf products and generally readily available with a limited number of components being more limited in supply including thermal cameras from Flir and communication links from Microhard. Nightingale does not have written supply agreements in place with these suppliers but has longstanding relationships with these suppliers and Nightingale believes these suppliers are committed to a long-term relationship with Nightingale.

Nightingale also relies on third party manufacturers to assemble its products. Arrangements with third party manufacturers are on standard market terms including in relation to intellectual property and confidentiality provisions and with orders submitted to the manufacturer on their standard terms and conditions.

9.4 Novus Mandate Letter

Nightingale has entered into a Mandate Letter dated 22 May 2022 appointing Novus Capital as Sponsoring Broker, Lead Manager, Financial and Corporate Adviser to the Company for the purpose of undertaking the IPO, admission to the ASX and post listing guidance. The Mandate Letter was amended on 18 July 2022.

- **Term:** The term is from 22 May 2022 until 12 months after the completion of the IPO (**Term**).
- **Termination:** Following the Term, in the absence of written notice by either party of their intention to cancel, modify or replace the mandate, the Mandate Letter will continue on a rolling 60 day term until at least one of the parties issues a 90 day notice of termination. Either party has the right to terminate the Mandate Letter at any time after the Minimum Term on 90 days written notice.
- **Exclusivity:** During the Term, the Company will not appoint (either officially or unofficially) any other financial or corporate adviser or broker, without the written consent of Novus Capital.
- **Fees and costs:** Novus will receive the following in relation to the Offer and ASX listing:
 - a sponsoring broker fee of A\$40,000;
 - a brokerage fee of 5% of the proceeds raised under the Offer;
 - a management fee of 1% of the proceeds raised under the Offer; and
 - 200,000 CDIs and \$40,000 success fee on successful completion of the Offer and ASX listing.

Novus will also receive a monthly advisory fee of \$3,500 for a period of 12 months following the IPO.

All fees are exclusive of GST. Novus will be responsible for any broker fees payable to brokers which will be paid out of Novus' brokerage.

The Company must also reimburse all reasonable out-of-pocket expenses incurred by Novus in connection with the Mandate.

9.5 Office lease

Nightingale has entered into an Air Commercial Real Estate Association Standard Industrial/Commercial Multi-Tenant Lease – Gross, as amended, with Wolcott Property Management, LLC d/b/a Venture Center Business Park for real property located at 8450 Central Avenue, Newark, California 94560 for its office and research and development space. The lease includes the following terms:

- **Term:** The term is 4 years beginning 15 February 2022 and ending 14 February 2026.
- **Rental Payments:** Rental payments are US\$15,980 per month for the first 18 months with an approximate 3% annual increase thereafter until expiration of the term.
- **Agreed Use:** Nightingale has agreed to use the property for research and development as well as general office use.

The lease sets out other typical market terms, including with respect to payment and security deposit, indemnification, maintenance and repairs, destruction and damages and payment of taxes.

9.6 Bridge Financing – Convertible Loan Agreements

Nightingale entered into Convertible Loan Agreements on 5 July 2022 with certain institutional investors (**Subscribers**) for convertible loans in the Company to the value of an aggregate A\$1 million.

The convertible loans have a maturity date of 5 October 2022 (**Maturity Date**). The convertible loans will be automatically redeemed on the Maturity Date by the Company repaying Subscribers their loan amount together with 10% interest. The convertible loans may only be redeemed prior to the Maturity Date if mutually agreed by the parties or if a default event in relation to the Company occurs and the Subscriber issues a redemption notice.

Subscribers may alternatively elect to convert their convertible loans into CDIs at any time after the IPO occurs and prior to the Maturity Date, by issuing a conversion notice to the Company.

Following receipt of the conversion notice, the Company must within 2 business days, issue to the Subscriber the number of CDIs determined by dividing the Subscriber's convertible loan amount by the conversion price. The conversion price is the price that is a 10% discount to the lower of the IPO price and the 15-day volume weighted average price of the Company's CDIs prior to conversion.

As at the Prospectus Date, the holders of \$492,000 of the convertible loans have agreed to convert their loans into CDIs rather than require redemption. If all Subscribers elect to convert their convertible loans to CDIs, an additional 3,307,937 will be issued.

Conversion of the convertible loans into CDIs will fully satisfy the Company's obligations to the Subscribers with respect to the repayment of the subscription amounts and other obligations under the Convertible Loans. The CDIs issued on conversion will be fully paid, unencumbered and rank pari passu with existing CDIs on issue.

Prior to conversion of the convertible loans, the Subscribers do not have any rights conferred on a shareholder of the Company, including any voting rights, the right to attend general meetings of the Company or the right to be given copies of documents sent by the Company to shareholders.

The Company covenants various matters to the Subscriber while the convertible loans are outstanding, including (but not limited to); that it will not reduce or attempt to reduce its capital without prior consent, that it will not pay any dividend without prior consent, that it will not make a loan to a third party, except in the ordinary course of business, and, it will notify the Subscriber of any material security created over its assets.

The Company has granted a first-priority security interest over its receivables as security for the loans, and a Pari Passu Deed dated 5 July 2022, where the Subscribers agree that each convertible loan will rank equally.

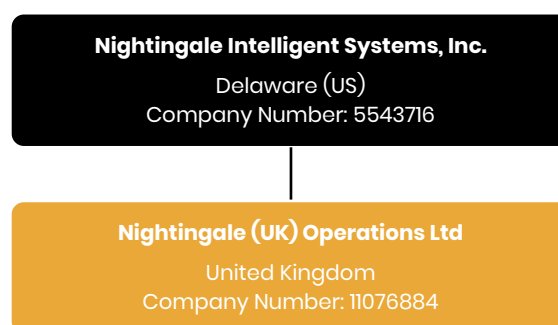
10. Additional information

10.1 Incorporation

The Company was incorporated on 13 June 2014 in Delaware, United States. The Company was registered as a foreign company with ASIC on 23 June 2022.

10.2 Group structure

The corporate group structure of the Nightingale Group comprises Nightingale Intelligent Systems, Inc. as the holding company and one wholly owned subsidiary based in the United Kingdom, as per the structure below:



Nightingale owns 100% of its United Kingdom subsidiary. The intellectual property which includes Nightingale's patents, designs and know-how is held in and owned 100% by Nightingale Intelligent Systems, Inc. Below is a brief description of the Company and its wholly owned subsidiary:

| Name | Country of incorporation | Principal activity |
|---------------------------------------|--------------------------|---|
| Nightingale Intelligent Systems, Inc. | Delaware, United States | Head office and holding company; operating entity for US and international business |
| Nightingale (UK) Operations Ltd | United Kingdom | UK Operating Company |

10.3 Current capital structure

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

| Class of Security | Number |
|------------------------------|-------------------------------------|
| Common Stock | 37,261,247 |
| Series Seed Preferred Stock | 2,297,408 |
| Series A Preferred Stock | 1,081,263 |
| Series B Preferred Stock | 1,512,493 |
| Series B-1 Preferred Stock | 2,381,315 |
| Series C Preferred Stock | 19,829,661 |
| Employee Options | 6,012,927 |
| Silicon Valley Bank warrants | 20,464 |
| Convertible Notes 1 | 1,837 (number of Notes outstanding) |
| Convertible Note 2 | 3,027 (number of Notes outstanding) |

10.4 Capital structure following the Offer

Shortly prior to allotment of CDIs and New Options under the Offer, the following changes will automatically be made to the capital structure of the Company (**Share Capital Restructure**) in accordance with stockholder consents obtained prior to the Prospectus Date and the terms of issue of the relevant securities and conditional upon the Board resolving to allot CDIs and New Options under the Offer:

- conversion of the existing Series Seed, Series A and Series B Preferred Stock into Shares; and
- conversion of the Convertible Notes into Shares; and
- granting of RSUs and Options to certain Directors and management (see Section 10.8).

As noted above, the Company currently has two classes of convertible notes outstanding, both of which will automatically convert into shares/CDIs in conjunction with the offer as follows:

- The Company will issue 13,899,383 CDIs on conversion of the Tranche 1 Convertible Notes with a valuation cap of 10,000,000 and a conversion price of A\$0.16 per CDI; and
- The Company will issue 13,608,912 CDIs on conversion of the Tranche 2 Convertible Notes at a 30% discount (A\$0.25) to the IPO price of A\$0.35.

On completion of the Offer, the Company will also issue:

- 200,000 CDIs to the Lead Manager; and
- 200,000 CDIs to the Corporate Advisers for services performed with respect to the IPO.

As at the Allotment Date, the issued share capital of the Company will comprise the following:

| Class of Security | Number of Shares based on Minimum Subscription | Number of Shares based on Maximum Subscription |
|------------------------------|--|--|
| Chess Depositary Interests | 115,128,825 | 120,843,111 |
| Employee Options | 6,012,927 | 6,012,927 |
| Silicon Valley Bank Warrants | 20,464 | 20,464 |
| New Options | 7,619,048 | 9,523,810 |
| RSUs | 7,000,000 | 7,000,000 |
| Total | 135,781,264 | 143,400,312 |

1. If all investors under the Bridge Financing convert to CDIs, an additional 3,307,937 will be issued for a total of 139,089,201 CDIs at the Minimum Subscription on a fully diluted basis or 146,708,249 at the Maximum Subscription on a fully diluted basis. Refer to Section 9.6 for further details.

10.5 Options on issue

The Company will have the following Options and Warrants on issue on listing:

| Employee Options | | | |
|------------------|--------------------------|----------|-------------------|
| Grant Date | Exercise price per Share | Term | Number of Options |
| 03/10/2021 | US\$0.03 (A\$0.04) | 10 Years | 4,745,000 |
| 12/09/2021 | US\$0.07 (A\$0.10) | 10 Years | 745,927 |
| 09/05/2022 | US\$0.24 (A\$0.35) | 10 Years | 400,000 |
| 02/02/2018 | US\$0.47 (A\$0.68) | 10 Years | 122,000 |
| Total | | | 6,012,927 |

The Company will issue the following New Options at a 1:3 ratio to the CDIs issued under Offer.

| Grant date | Exercise price per Share | Term | Number of listed Options A\$8m | Number of listed Options A\$10m |
|------------|--------------------------|---------|--------------------------------|---------------------------------|
| 16/09/2022 | A\$0.50 | 3 Years | 7,619,048 | 9,523,810 |

The terms of the Options and Warrants are summarised below.

Employee Options

A number of Employee Options were issued to employees of the Company prior to Listing as part of their remuneration packages. The key terms of the options are set out below:

- Exercise price – see table in Section 10.5.
- Vesting Commencement Date – 12 months from the date of commencement of employment or 12 months after the date of grant (as applicable);
- Vesting schedule – Subject to the holder's continuing service with the Company, 25% of the options vest 12 months after the Vesting Commencement Date, and the remaining options shall vest over the next 36 months in equal monthly amounts; and
- Expiry date – 10 years after the date of grant.
- There are no performance hurdles or vesting conditions attaching to these options except for continued service.

Each Employee Option entitles the holder to one share of common stock upon vesting and exercise. These existing Employee Options are held by employees and former employees of the Company.

Non-Executive Director Options

The following Options were issued to certain Non-Executive Directors of the Company prior to the Prospectus Date as part of their remuneration packages.

155,927 Options were issued to Stratos Karousos and 100,00 Options were issued to Denis Hébert under the Amended and Restated 2014 Stock Plan, with the following key terms:

- Exercise price – US\$0.07 (AUD\$0.10);
- Expiry date – 10 years after the date of grant; and
- There are no performance hurdles or vesting conditions attaching to these options except for continued service.

Each of these Options issued to Stratos Karousos and Denis Hébert entitles them to one share of common stock upon vesting and exercise.

10.6 New Option terms

The terms of the New Options are set out below:

| | |
|-----------------------------|--|
| Exercise Price | Each New Option has an exercise price of A\$0.50. |
| Exercise Period | A New Option may be exercised on any business day from the date of grant to 16 September 2025 – 3 years from date of listing (inclusive) but not thereafter. An Option Exercise Form is only effective when the Company has received the full amount of the exercise price in cash or cleared funds. |
| Expiry Date | The expiry date for the New Options is 16 September 2025 – 3 years from date of listing. |
| Quotation of Options | The Company will apply for quotation of the New Options on the ASX. |
| Register | The Company will maintain a register of holders of New Options in accordance with section 168(1)(b) of the Corporations Act. |

| | |
|------------------------------|--|
| Transfer/Transmission | A New Option may be transferred or transmitted in any manner approved by the ASX. |
| Exercise | On valid exercise, the Company will issue one CDI for each New Option exercised. New Options may be exercised wholly or in part by delivery to the Registry of the Option Exercise Form together with payment of the aggregate exercise price in the manner prescribed on the Option Exercise Form. New Option holders may elect whether to receive Shares or CDIs when they exercise New Options. |
| Quotation of Shares | The Company must make an application for quotation of CDIs issued on exercise of the New Options on ASX in accordance with the Listing Rules. |
| Dividend entitlement | New Options do not carry any dividend entitlements. CDIs or Shares issued on exercise of New Options rank equally with other issued Shares of the Company on and from issue. CDIs and Shares issued upon the exercise of New Options will only participate in a future dividend or other shareholder action if such CDIs or Shares have been issued on or prior to the applicable record date for determining entitlements. |
| Voting Rights | The New Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company. |
| Reorganisations | If there is any reorganisation of the issued share capital of the Company, the rights of the New Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation. |
| Participating rights | For determining entitlements, New Option holders may only participate in new issues of Securities to holders of Shares or CDIs in the Company if the New Option has been exercised and CDIs or Shares allotted in respect of the New Option before the record date of the proposed new issue. The Company must give at least six business days' notice to New Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules. |
| Adjustments | <p>If between the date of issue and the date of exercise of a New Option the Company makes one or more rights issues (being a pro-rata issue of Shares in the capital of the Company that is not a bonus issue) in accordance with the Listing Rules, the Exercise Price of New Options on issue will be reduced in respect of each rights issue according to the following formula:</p> $NE = OP - E [P - (S + D)] / (N + 1)$ <p>Where:</p> <ul style="list-style-type: none"> • NE is the new exercise price of the New Option • OP is the old exercise price of the New Option; • E is the number of underlying Shares into which one Option is exercisable; • P is the volume weighted average market price per CDI recorded on ASX during the 5 trading days ending on the day before • the ex-rights date or ex-entitlements date (excluding special crossings and overnight sales); • S is the subscription price for Shares/CDIs to be issued under the pro rata issue • D is the amount of any dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue); and • N is the number of existing Shares with rights or entitlements that must be held to receive a right to one new Share under the pro rata issue. <p>If there is a bonus issue to the holders of Shares, the number of Shares over which the New Option is exercisable will be increased by the number of Shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.</p> |
| ASX listing | The Company must apply for quotation of the CDIs issued on exercise of the New Options to the ASX in accordance with the Listing Rules. CDIs or Shares issued on exercise of the Options will rank equally with other issued Shares of the Company. |

10.7 Silicon Valley Bank warrants

The Company currently has on issue a warrant held by Silicon Valley Bank which was issued in connection with financing provided by Silicon Valley Bank to the Company in April 2018.

The key terms of the warrants held by Silicon Valley Bank are set out below:

- the Company granted Silicon Valley Bank a warrant to purchase 20,464 shares of common stock upon payment of the exercise price;
- Exercise price – US\$0.47 per Share; and
- Expiry date – the warrant will expire on 4 April 2028.

10.8 Restricted Stock Units

On or shortly prior to Listing, the Company will issue the following performance based restricted stock units to the founders of the Company, being Jack Wu (Executive Director and Chief Executive Officer) and John Hsu (Chief Technical Officer), which have been split equally between Jack Wu and John Hsu.

- an aggregate of 3,500,000 of Class A RSUs; and
- an aggregate of 3,500,000 of Class B RSUs;

(together, the **RSUs**).

The RSUs are being issued as part of the overall remuneration packages of the two founders of the Company for the purpose of incentivising them to achieve certain milestones and targets in relation to the Company's products and revenue. To the extent the RSUs would have already vested at the issue date, these will be issued as shares of common stock and the balance held as RSUs.

The key terms of the Class A RSUs are noted below:

- each Class A RSU was issued for nil consideration with a nil exercise price;
- each Class A RSU entitles the holder to be issued one share of common stock in the Company on vesting and satisfaction of the applicable performance hurdles;
- the Class A RSUs only vest if certain performance-based hurdles are satisfied as follows:
 - 80% vest on the Company achieving a minimum revenue target of US\$2,500,000 from 1 January 2021 to 1 June 2023; and
 - remaining 20% vest on the Company reaching a revenue target of US\$3,000,000 from 1 January 2022 to 1 June 2023;
- the vesting of the Class A RSUs is subject to the holder being continuously employed by the Company (or an affiliated entity) from the date of grant;
- the Class A RSUs expire on 1 June 2023;
- Class A RSUs are not quoted on the ASX;
- Class A RSUs are not transferable, do not entitle the holder to a right to vote until such time as the Class B RSUs vest and the holder is issued Shares or CDIs and do not carry any entitlement to a dividend; and
- Class A RSUs do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues.

The key terms for the Class B RSUs are noted below:

- each Class B RSU was issued for nil consideration with a nil exercise price;

- each Class B RSU entitles the holder to be issued one share of common stock in the Company on vesting and satisfaction of applicable performance hurdles;
- the Class B RSUs only vest if certain performance-based hurdles are satisfied including:
 - obtaining US BVLOS approval; and
 - reaching a revenue target of US\$6,000,000 within 18 months of the date of the Company receiving US BVLOS approval;
- the vesting of the Class B RSUs is subject to the holder being continuously employed by the Company (or an affiliated entity) from the date of grant;
- the Class B RSUs expire 18 months following the date of approval of US BVLOS approval, provided that in no event shall the expiration date of the Class B RSUs be later than 10 years from the date of grant;
- Class B RSUs are not quoted on the ASX;
- Class B RSUs are not transferable, do not entitle the holder to a right to vote until such time as the Class B RSUs vest and the holder is issued Shares or CDIs and do not carry any entitlement to a dividend; and
- the Class B RSUs do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues.

The following additional information is provided in connection with the issue of the founder's RSUs:

- details of the remuneration package for each founder is summarised at paragraph 5.5;
- each founder's current interest in the capital of the Company is summarised at paragraph 8.11. The existing securities held by Jack Wu and John Hsu (being Shares and Options) were issued for nil or nominal cash consideration and were issued to remunerate and/or incentivise the founders of the Company;
- if the applicable performance hurdles are met and all the RSUs vest, this will result in the issue of 7,000,000 CDIs or Shares therefore increasing the issued share capital of the Company;
- the Company is of the view that it is necessary and appropriate to further remunerate and incentivise Jack Wu and John Hsu by the issue of RSUs. The Company is a growth phase company and requires equity incentives to attract and retain highly talented individuals in the industry. This is particularly the case given the Company seeks to conserve cash including by keeping its salaries relatively low. The Company is offering RSUs to Jack Wu and John Hsu who are key to the Company's management as incentives to promote their retention into the foreseeable future to maintain stability and increase growth of the Company following its ASX listing; and
- the Board (excluding Jack Wu) comprised only of non-executive directors, approved the grant of the RSUs in light of the overall incentive arrangements for the Company and each of Jack Wu and John Hsu. Further, the overall incentives will comprise approximately a minimum of approximately 4.9% and a maximum of approximately 5.2% of the Company's total issued capital (on a fully diluted basis post completion of the Offer and listing), which is in line with the desired outcome for the Company's capital structure following completion of the Offer.

10.9 Certificate of Incorporation and Bylaws and rights attaching to the Shares

A summary of the Company's securities and provisions of its Second Amended and Restated Certificate of Incorporation (**Certificate of Incorporation**) and Amended and Restated Bylaws (**Bylaws**) which will apply from the Allotment Date, is set out below. This summary is not intended to be exhaustive.

General description of share capital

Shares – The Company is authorised to issue 255,000,000 Shares, par value of US\$0.00001 per Share, 150,000,000 of which are designated "Common Stock," and 105,000,000 of which are designated "Common Prime Stock".

Certain Existing Shareholders will enter into escrow agreements with the Company in conjunction with the Offer. In the event of a breach of any such escrow agreement, the Shares will convert automatically into Common Prime Stock for the duration of the breach. As of the date of the Prospectus, no shares of Common Prime Stock are issued or outstanding.

Options – The Company has reserved an aggregate of 6,012,927 Shares for issuance under its 2014 Equity Plan.

Voting

At a meeting of the Company's stockholders, every stockholder present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders.

Holders of Common Prime Stock are not entitled to any voting rights or voting powers.

Dividends

Holders of Shares shall be entitled to receive, when, as and if declared by the Board, out of any assets of the Company legally available, any dividends as may be declared from time to time by the Board.

Holders of Common Prime Stock are not entitled to share in any dividends.

Rights attaching to Shares

Other than the Existing Shareholders who are subject to escrow agreements as described above, whose Shares will be subject to conversion into Common Prime Stock upon breach of applicable restrictions, stockholders have no preferences of rights of conversion, exchange, pre-emption, or other subscription rights.

Anti-takeover provisions of Delaware Law, Certificate of Incorporation and Bylaws

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e., substantial holders and takeovers).

Provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarised below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

- **Delaware anti-takeover statute** – The DGCL generally prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless: prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or on or subsequent to the date of the transaction, the business combination is approved by the board and authorised at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder. The DGCL defines a business combination to include: any merger or consolidation involving the corporation and the interested stockholder; any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation; subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, the DGCL defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person. The existence of these provisions of the DGCL would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the Shares held by Shareholders.
- **Removal of directors** – The Company’s Certificate of Incorporation provides that any Director may be removed with cause at any special meeting of stockholders duly called and held for such purpose.
- **Amendment** – The Company’s Bylaws and Certificate of Incorporation provide that the affirmative vote of a majority of the Directors is required to amend the Bylaws. The DGCL provides that the Bylaws may be amended at a meeting of the stockholders by an affirmative vote of the holders of at least a majority of the Company’s voting shares present in person or by proxy at the meeting.
- **Size of the Board and Board vacancies** – The Company’s Bylaws provide that the number of Directors on the Board shall be five or more and is to be fixed exclusively by the Board. Newly created directorships resulting from any increase in the Company’s authorised number of Directors, or any vacancies will be filled by a majority of the remaining Directors in office, unless otherwise required by law or by resolution of the Board.
- **Special stockholder meetings** – The Company’s Bylaws provide that special meetings of stockholders may be called by any of the Chairman of the Board, the Chief Executive Officer or the President of the Company, a majority of the Board or the holders of at least 10% of the Company’s voting shares.
- **Requirements for advance notification of stockholder nominations and proposals** – The Company’s Bylaws establish advance notice procedures with respect to nomination of candidates for election as Directors, other than nominations made by or at the direction of the Board or a committee of the Board.
- **No cumulative voting** – The Company’s Certificate of Incorporation provides that there will be no cumulative voting.
- **Authorised but unissued shares** – Subject to the limitation on the issue of securities under the ASX Listing Rules and the DGCL, the Company’s authorised but unissued Shares will be available for future issuance without Shareholder approval. The Company may use additional Shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorised but unissued Shares could render more difficult, or discourage, an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

10.10 Escrow Arrangements

Certain existing Shareholders will be restricted from dealing in their CDIs or Shares following Listing. These restrictions are imposed by the ASX.

The ASX Listing Rules require that certain persons or entities that are ‘significant holders’, such as seed capitalists, promoters and related parties, enter into written restriction agreements under which they are restricted from dealing in a specified number of their CDIs or Shares for up to 24 months from the date of quotation of those CDIs or Shares. The restriction agreements will be in the form required by the ASX Listing Rules over such number of CDIs or Shares and for such period of time as determined by the ASX, and restrict the ability of the holder of the CDIs or Shares from disposing of, creating any security interest in or transferring effective ownership or control of such CDIs or Shares. Under the ASX Listing Rules, less significant holders are not always required to enter into formal agreements. The Company may in certain circumstances instead rely on the provisions of an escrow notice and the provisions of its Bylaws under which these restrictions are imposed and instruct the Share Registry to impose a holding lock on their securities. If a Security holder breaches or violates the applicable restrictions, the applicable securities will be automatically converted into Common Prime Stock, as described in Section 10.9, for so long as the breach continues.

| Holder | CDIs held on completion of the Offer subject to escrow | Options held on completion of the Offer subject to escrow | RSUs held on completion of the Offer subject to escrow | No. of securities subject to 12 months escrow post IPO ⁵ | No. of securities subject to 24 months escrow post IPO ⁵ | % of issued share capital subject to escrow restrictions (Minimum Subscription) (undiluted) | % of issued share capital subject to escrow restrictions (Minimum Subscription) (fully diluted) | % of issued share capital subject to escrow restrictions (Maximum Subscription) (undiluted) | % of issued share capital subject to escrow restrictions (Maximum Subscription) (fully diluted) |
|-----------------------------|--|---|--|---|---|---|---|---|---|
| Jack Wu | 4,250,000 | 2,200,000 | 3,500,000 | | 4,250,000 CDIs 2,200,000 Options 3,500,000 RSUs | | | | |
| John Hsu | 4,250,000 | 2,200,000 | 3,500,000 | | 4,250,000 CDIs 2,200,000 Options 3,500,000 RSUs | 3.69% | 7.33% | 3.52% | 6.94% |
| Tony Zhang ¹ | 7,668,059 | | | | 7,668,059 | 6.66% | 5.65% | 6.35% | 5.35% |
| Denis Hébert ² | | 100,000 | | | 100,000 | 0.00% | 0.07% | 0.00% | 0.07% |
| Stratos Karousos | | 155,927 | | | 155,927 | 0.00% | 0.11% | 0.00% | 0.11% |
| Alan Braverman ³ | 893,018 | | | | 893,018 | 0.78% | 0.66% | 0.74% | 0.62% |
| Motasim Faleh H. Hajaj | 9,005,640 | | | | 9,005,640 | 7.82% | 6.63% | 7.45% | 6.28% |
| Lead Manager and Associates | 263,086 | | | | 263,086 | 0.23% | 0.19% | 0.22% | 0.18% |
| Corporate Adviser | 4,525,730 | | | | 4,525,730 | | 3.33% | | |
| Other Shareholders | 1,345,499 | | | 1,345,499 | | 1.17% | 0.99% | 1.11% | 0.94% |
| Noteholders | 3,329,622 | | | 3,187,434 | | 2.84% | 2.41% | 2.70% | 2.28% |
| Total^{4,5} | 35,467,568 | 4,655,927 | 7,000,000 | 4,612,035 | 42,511,460 | 26.88% | 34.71% | 25.60% | 29.71% |

1. Tony Zhang holds shares under the entity name BVM Fund LLC

2. Denis Hébert holds shares under the entity name The Hébert Trust.

3. Alan Braverman holds shares under the entities Giant Pixel Corporation Inc and Triple AB LP.

4. If all investors under the Bridge Financing convert to CDIs, an additional 3,307,937 will be issued for a total of 139,089,201 CDIs at the Minimum Subscription on a fully diluted basis or 146,708,249 at the Maximum Subscription on a fully diluted basis. Refer to Section 9.6 for further details.

5. From the 3,307,937 shares that may be converted to CDIs 1,587,302 will have an escrow of 12 months and 1,720,635 will have an escrow period of 24 months.

The Company's free float at the time of Listing will be 69.03% on the Minimum Subscription and 70.49% on Maximum Subscription.

10.11 Comparison of Laws Governing the Company as a U.S. Company with Laws Governing Australian Publicly Listed Companies Generally

| | Delaware/U.S. Law | Australian Law |
|--|--|---|
| Transactions that require Shareholder approval | <p>The DGCL and the Company's Certificate of Incorporation and Bylaws (which will be in effect at Listing) govern the type of transactions that require shareholder approval. Generally, the following types of transactions, among others, will require shareholder approval:</p> <ul style="list-style-type: none"> • amendments to the certificate of incorporation; • material corporate transactions such as a merger or acquisition, the sale of all or substantially all the Company's assets, or the dissolution of the Company; • establishing stock plans and amendments to same; • permitting interested director transactions; and • taking certain actions affecting shareholder rights. <p>The Company's Bylaws provide that the Bylaws may be amended by stockholders holding a majority of the Company's outstanding voting stock or, to the extent provided in the Certificate of Incorporation, by the Board, except insofar as the Bylaws adopted by the stockholders otherwise provide.</p> <p>The Company's Certificate of Incorporation provides that the Company's Bylaws may be amended by the Board.</p> | <p>Under the Corporations Act, the principal transactions or actions requiring shareholder approval include:</p> <ul style="list-style-type: none"> • adopting or altering the constitution of the company; • appointing or removing a director or auditor; • certain transactions with related parties of the company; • putting the company into liquidation; and • changes to the rights attached to shares. <p>Shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks and share capital reductions).</p> <p>Under the ASX Listing Rules, shareholder approval is required for matters including:</p> <ul style="list-style-type: none"> • increases in the total amount of directors' fees; • directors' termination benefits in certain circumstances; • certain transactions with related parties; • certain issues of shares; and • if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking. |
| Shareholders' right to request or requisition a general meeting | <p>The Company's Bylaws provide that special meetings of stockholders may be called by (i) the chairperson of the Board; (ii) the CEO or President, (iii) a majority of the members of the Board, or (iv) holders of Shares entitled to cast not less than 10% of the total number of votes entitled to be cast at such meeting.</p> | <p>The Corporations Act requires the Directors to call a general meeting on the request of members with at least 5% of the vote that may be cast at the general meeting or at least 100 shareholders who are entitled to vote at a general meeting.</p> <p>Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense.</p> |

| | Delaware/U.S. Law | Australian Law |
|--|---|---|
| Shareholders' right to appoint proxies to attend and vote at meetings on their behalf | <p>Unless otherwise provided by law or the Certificate of Incorporation, at a meeting of the Company's stockholders, every stockholder present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders.</p> <p>Under the Company's Bylaws, the presence at the meeting (in person or represented by proxy) of the holders of one-third of the shares of stock entitled to vote at the meeting will constitute a quorum for the transaction of business, except if otherwise required by applicable law.</p> <p>Except as otherwise provided by statute, elsewhere in the Certificate of Incorporation or Bylaws, or by applicable stock exchange rules, every matter other than the election of Directors shall be decided by the affirmative vote of the holders of a majority of the shares of stock entitled to vote thereon that are present in person or represented by proxy at the meeting and are voted for or against the matter.</p> <p>Directors will be elected by a plurality of the votes of the shares (present in person or represented by proxy at the meeting) entitled to vote on the election of Directors.</p> | <p>Under the Corporations Act, a member of a company who is entitled to attend and cast a vote at a meeting of the company's members may appoint a person as the member's proxy to attend and vote for the member at the meeting. Every shareholder present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of shareholder.</p> <p>If a company does not have a constitution or has a constitution that does not set out a procedure, the presence at the meeting (in person or represented by proxy) of 2 shareholders entitled to vote at the meeting will constitute a quorum for the transaction of business, except if otherwise required by applicable law.</p> |
| Changes in the rights attaching to shares | <p>The DGCL allows a majority of the shares of a class or series of shares, or such other number of shares as set out in a company's certificate of incorporation, to amend the rights attaching to such class or series (as applicable) of shares.</p> | <p>The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares.</p> <p>If a company does not have a constitution or has a constitution that does not set out a procedure, such rights may only be varied or cancelled by:</p> <ul style="list-style-type: none"> • a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or • a written consent of members with at least 75% of the votes in the class. |
| Shareholder protections against oppressive conduct | <p>Stockholders can sue on their own behalf in a direct suit if the shareholder can claim some personal harm, which can include claims regarding, among others, contractual and pre-emptive rights, rights to vote, etc.</p> <p>Stockholders can also bring derivative suits on behalf of the Company, as discussed below.</p> | <p>Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make any order as it sees appropriate.</p> |

| | Delaware/U.S. Law | Australian Law |
|---|---|--|
| Shareholders' rights to bring or intervene in legal proceedings on behalf of the company | <p>Under the DGCL, a stockholder may bring a derivative action on behalf of the Company where those in control of the Company have failed to assert a claim belonging to the Company. A stockholder must meet certain eligibility and standing requirements, including a requirement that the plaintiff has been a stockholder of the Company at the time of the act of which the plaintiff makes the complaint and a requirement that the plaintiff maintain his, her or its status as a stockholder throughout the course of the litigation.</p> <p>A derivative plaintiff must also have made a demand on the Directors of the Company to assert the corporate claim, unless such a demand would have been futile.</p> | <p>The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.</p> <p>The court must grant the application if it is satisfied that:</p> <ul style="list-style-type: none"> • it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them; • the applicant is acting in good faith; • it is in the best interests of the company that the applicant be granted leave; • if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and • either at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave. <p>The Corporations Act provides that proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court.</p> |

**"Two Strikes" rule
in relation to
remuneration
reports**

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (U.S.) requires all "reporting companies" to have an advisory shareholder vote on pay at least once every three years. Companies must report the results and say how they have responded to these when making decisions on pay the following year.

The Company will be required to register as a U.S. reporting company pursuant to Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended ("U.S. Exchange Act"), if, among other things, it has (i) assets of more than US\$10 million on the last day of its most recent fiscal year and (ii) either 2,000 or more holders of any class of equity securities or 500 or more holders of any class of equity securities who are not "accredited investors" as defined in Rule 501 of Regulation D promulgated under the U.S. Securities Act.

If the Company qualifies as an 'emerging growth company' at the time it becomes a reporting company, then it will not be required to hold an advisory shareholder vote on pay until it is no longer an emerging growth company.

The Company will be an emerging growth company until the earliest of:

(i) the last day of the first fiscal year in which its annual gross revenues exceed US\$1.07 billion, (ii) last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the issuer pursuant to an effective registration statement under the U.S. Securities Act (iii) the date that it becomes a "large accelerated filer" as defined in Rule 12b-2 under the U.S. Exchange Act (see below), or (iv) the date on which the Company has issued more than US\$1.0 billion in non-convertible debt during the preceding three year period.

A company becomes a large, accelerated filer if it meets any of the following conditions as of the end of its fiscal year:

(i) it has an aggregate worldwide market value of the voting and non-voting common equity held by non-affiliates of US\$700 million or more as of the last business day of its most recently completed second fiscal quarter;

(ii) it has been subject to the requirements of Section 13(a) or 15(d) of the U.S. Exchange Act for at least 12 months;

(iii) it has filed at least one annual report pursuant to Section 13(a) or 15(d) of the U.S. Exchange Act; and

(iv) it is not eligible to rely on the requirements for smaller reporting companies for its annual and quarterly reports.

The Corporations Act requires that a company's annual report must include a report by the Directors on the company's remuneration framework (called a remuneration report).

A resolution must be put to shareholders at each annual general meeting of the company's shareholders (AGM) seeking approval for the remuneration report. The approval is advisory only, however, if more than 25% of shareholders vote against the remuneration report at two consecutive AGMs (i.e., two strikes), an ordinary (50%) resolution must be put to shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the Directors who approved the second remuneration report must resign and stand for re-election.

| | Delaware/U.S. Law | Australian Law |
|---|---|---|
| Disclosure of substantial holdings | <p>Section 16(a) of the U.S. Exchange Act requires the reporting of beneficial ownership of a reporting company's equity securities by (i) directors; (ii) officers and (iii) shareholders owning more than 10% of the Company's Shares.</p> <p>In addition, the U.S. Exchange Act requires every person (or group of persons) who acquires beneficial ownership of 5% or more of a U.S. reporting company's equity securities) to disclose, among other things:</p> <ul style="list-style-type: none"> • how many securities are beneficially owned by the filing person; • whether there is a movement of at least 1% in their beneficial ownership; and • whether they have an intent to control or influence control of the company. | <p>The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if:</p> <ul style="list-style-type: none"> • the person begins to have, or ceases to have, a substantial holding in the company or scheme; • the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or • the person makes a takeover bid for securities of the company. <p>Under the Corporations Act a person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</p> <p>These provisions do not apply to the Company as an entity established outside Australia. However, the Company will be required to release to the ASX any substantial holder notices that are filed in the U.S.</p> |
| How takeovers are regulated? | <p>The acquisition of securities in the Company is subject to the DGCL and applicable U.S. state and federal securities laws. As a Delaware corporation, the Company is subject to Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any business combinations with any stockholder who owns, or at any time in the last three years owned, 15% or more of the company's outstanding voting stock, referred to as an interested stockholder, for a period of three years following the date on which the stockholder became an interested stockholder, subject to certain exceptions. In addition, under the DGCL, the Board has the ability to implement a broader range of takeover defence mechanisms.</p> | <p>The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.</p> <p>Exceptions to the prohibition apply (eg. acquisitions with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions).</p> <p>Substantial holder notice requirements apply (as discussed above under the heading "Disclosure of substantial holdings").</p> <p>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.</p> <p>The Australian takeovers regime will not apply to Nightingale Security as a foreign company.</p> |
| Reporting requirements | <p>The Company is currently not a reporting entity in the US.</p> | <p>The Company is a disclosing entity under the Corporations Act.</p> |

10.12 CHESS Depositary Interests

Details of CDIs and the key differences between holding CDIs and holding the underlying Shares is detailed below:

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| What are CDIs? | <p>In order for the Shares to trade electronically on the ASX, the Company intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement.</p> <p>CHESS cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the U.S. Accordingly, to enable the Shares to be cleared and settled electronically through CHESS, the Company intends to issue depositary interests called CHESS Depositary Interests or CDIs.</p> <p>CDIs confer the beneficial ownership in foreign securities such as the Shares on the CDI holder, with the legal title to such Shares being held by an Australian depositary nominee.</p> |
| Who is the depository nominee and what do they do? | <p>The Company will appoint CDN, a subsidiary of the ASX, and an approved general participant of ASX Settlement to act as its Australian depositary.</p> <p>CDN will hold legal title to the Shares on behalf of CDI holders. CDN will receive no fees for acting as the depository for the CDIs.</p> <p>By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant.</p> |
| What registers will be maintained recording your interests? | <p>The Company will operate a certificated principal register of Shares in the United States and an uncertificated issuer sub-register of CDIs and an uncertificated CHESS sub-register of CDIs in Australia.</p> <p>The Company's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs will be maintained by the Share Registry. The branch register is the register of legal title (and will reflect legal ownership by CDN of the Shares underlying the CDIs with the Shares held by CDN recorded on the branch register of Shares in Australia). The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title of the Shares underlying the CDIs.</p> |
| How is local and international trading in CDIs affected? | <p>CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company.</p> |
| What is the CDI:Share ratio? | <p>One CDI will represent an interest in one Share.</p> |
| What will Applicants receive on acceptance of their Applications? | <p>Successful Applicants will receive a holding statement which sets out the number of CDIs held by the CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs.</p> |

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| <p>How do CDI holders convert from a CDI holding to a direct holding of Shares on the U.S. principal register?</p> | <p>CDI holders who wish to convert their ASX listed CDIs to Shares to be held on the principal US register can do so by instructing the Company's Share Registry either:</p> <ul style="list-style-type: none"> • directly in the case of CDIs on the issuer sponsored sub-register operated by the Company. CDI holders will be provided with a form entitled "Register Removal Request" for completion and return to the Company's Share Registry; or • through their sponsoring participant (usually their broker) in the case of CDIs which are sponsored on the CHESS sub-register. In this case, the sponsoring broker will arrange for completion of the relevant form and its return to the Company's Share Registry. <p>The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a new share certificate will be issued. This will cause the Shares to be registered in the name of the holder on the Company's Share Register and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any other market.</p> <p>The Company's Share Registry will not charge an individual Security Holder or Nightingale a fee for transferring CDI holdings into Shares (although a fee will be payable by market participants). It is expected that this process will be completed with 24 hours, provided that the Share Registry is in receipt of a duly completed and valid removal request form. However, no guarantee can be given about the time for this conversion to take place.</p> <p>If holders of Shares wish to convert their holdings to CDIs, they can do so by contacting the Company's Share Registry. The Company's Share Registry will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by market participants).</p> |
| <p>What are the voting rights of a CDI holder?</p> | <p>If holders of CDIs wish to attend and vote at the Company's general meeting, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant U.S. law at the time of the meeting prevents CDI holders from attending those meetings.</p> <p>In order to vote at such meetings, CDI holders have the following options:</p> <ul style="list-style-type: none"> • instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or • informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to the Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or • converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process. <p>As holders of CDIs will not appear on the Company's Share Register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.</p> |
| <p>What are the voting rights of a CDI holder? (cont'd)</p> | <p>As each CDI is 1 Share, a CDI holder will be entitled to 1 vote for every CDI they hold.</p> <p>Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.</p> <p>These voting rights exist only under the ASX Settlement Operating Rules, rather than under the DGCL. Since CDN is the legal holder of applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company's certificate of incorporation or Bylaws.</p> |

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| What dividend and other distribution entitlements do CDI holders have? | <p>Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all economic benefits and other entitlements in relation to the underlying Shares, these include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the DGCL.</p> <p>Whilst the Company does not anticipate declaring any dividends in the foreseeable future, should it do so in the longer term, the Company will declare any dividends in US\$ as that is its main functional currency. In that event, the Company will pay any dividend in US\$ or A\$ depending on the country of residence of the CDI holder. If the CDI holder in Australia wishes to receive dividends in US\$ they must complete an appropriate form and return it to the Company's Share Registry, no later than the close of business on the dividend record date.</p> |
| What corporate action entitlement (such as rights issues and bonus issues) do CDI holders have? | <p>CDI holders receive all direct economic and other entitlements in relation to the underlying Shares. These include entitlements to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the DGCL.</p> |
| What rights do CDI holders have in the event of a takeover? | <p>If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. CDN must ensure that the offeror processes the takeover acceptance of a CDI holder if such CDI holder instructs CDN to do so.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the DGCL.</p> |
| What notices and announcement will CDI holders receive? | <p>CDI holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the DGCL.</p> |
| What rights do CDI holders have on liquidation or winding up? | <p>In the event of the Company's liquidation, dissolution or winding up, a CDI holder will be entitled to the same economic benefit on their CDIs as holders of Shares. These rights exist only under the ASX Settlement Operating Rules, and not under the DGCL.</p> |
| Will CDI holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares? | <p>A CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares.</p> |
| Where can further information be obtained? | <p>For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled</p> <ul style="list-style-type: none"> • "Understanding CHES Depositary Interests at: http://www.asx.com.au/documents/settlements/CHES_Depositary_Interests.pdf • ASX Guidance Note 5 at: http://www.asx.com.au/documents/rules/gn05_chess_depositary_interests.pdf <p>or contact your stockbroker or the Offer Information Line.</p> |

10.13 FOR U.S. restrictions

Regulation S

The Offer is being made available to investors in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act for offers which are made outside the U.S. Accordingly, the CDIs to be issued under the Offer (and the Shares underlying those CDIs) have not been, and will not be, registered under the U.S. Securities Act or the laws of any state or other jurisdiction in the U.S.

As a result of relying on the Regulation S exemption, the CDIs which are issued under the Offer (and the Shares underlying those CDIs) will be 'restricted securities' under Rule 144 of the U.S. Securities Act. This means that you will not be able to sell the CDIs issued to you under the Offer into the U.S. or to a U.S. person for a period of 12 months from the date of allotment of the CDIs under the Offer, unless the re-sale of the CDIs is registered under the U.S. Securities Act, or an exemption is available (such as resales to QIBs pursuant to Rule 144). Accordingly, the market for CDIs is likely to be limited to ASX, and if the market outside of the U.S. does not develop or is illiquid, purchasers of CDIs will be unable to sell the CDIs into the market within the U.S. due to restrictions on the transfer of CDIs.

To enforce the above transfer restrictions, the Company has requested that all CDIs issued under the Offers bear a "FOR U.S." designation on ASX. This designation effectively automatically prevents any CDIs from being sold on ASX to investors who are U.S. persons unless that investor is a QIB. However, you will still be able to freely transfer your CDIs on ASX to any person other than a U.S. person that is not a QIB.

In addition, hedging transactions with regard to the Company's CDIs may only be conducted in accordance with the U.S. Securities Act.

No-action letter

In January 2000, the SEC issued a no-action letter to ASX with regard to initial public offerings of U.S. private companies on ASX. The letter provided that non-reporting private U.S. companies, which had not listed their shares in the U.S., such as the Company, could do so on ASX in reliance on Regulation S.

The no-action letter requires purchasers of CDIs pursuant to the Offer and any person who purchases CDIs in the secondary market to make representations about their non-U.S. status. The no-action letter is based on certain assumptions and also requires that the Company, ASX, the CUSIP Bureau and ASX Participating Organisations (as defined below) take certain actions in order to comply with the requirements set forth in the no-action letter.

Representations regarding non-U.S. status

Each Applicant under the Offer will be deemed to have represented, warranted, and agreed for the benefit of the Company and its related bodies corporate and any officers, employees, agents, advisers or brokers of any of them (affiliates) as follows:

- that the Applicant is not a U.S. Person and is not acting for the account or benefit of a U.S. Person. A U.S. Person includes, among other things and subject to certain limited exceptions:
 - any natural person resident in the U.S.;
 - any partnership or corporation organised or incorporated under the laws of the U.S.;
 - any estate of which any executor or administrator is a U.S. person;
 - any trust of which any trustee is a U.S. person;
 - any agency or branch of a foreign entity located in the U.S.;
 - any non-discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary for the benefit or account of a U.S. person;
 - any discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the U.S.; and
 - any partnership or corporation, organised or incorporated under the laws of any foreign jurisdiction, if formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act.

- the Applicant acknowledges and agrees that, in order to ensure that U.S. Persons do not purchase any CDIs under the Offer, a number of procedures governing the trading and clearing of CDIs will be implemented, including the application to the CDIs of the status of Foreign Ownership Restriction ("FOR") securities under the ASX Settlement Operating Rules and the addition of the notation "FOR U.S." to the CDI description on ASX trading screens and elsewhere, which will inform the market of the prohibition on U.S. Persons that are not QIBs acquiring CDIs and New Options;
- the Applicant understands and agrees that, if in the future it decides to resell, pledge, transfer or otherwise dispose of any CDIs (or the Shares underlying those CDIs) it will only do so: (i) outside the U.S. in an offshore transaction in compliance with Rule 903 or 904 under the U.S. Securities Act, (ii) pursuant to an effective registration statement under the U.S. Securities Act or (iii) pursuant to an available exemption from the registration requirements of the U.S. Securities Act, and in each case in accordance with all applicable securities laws;
- the Applicant agrees not to engage in hedging transactions with regard to the CDIs (or the Shares underlying the CDIs) unless in compliance with the U.S. Securities Act; and
- the Applicant acknowledges that the Company and its affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties, and agreements and agrees that if any such acknowledgments, representations or warranties are no longer accurate, it will notify the Company immediately. Each Applicant agrees to indemnify the Company, its affiliates and their respective Directors, officers, employees and advisers against any loss, damage or costs incurred and arising out of or in relation to any breach by it of the acknowledgments, representations, warranties, and agreements.

Representations of purchasers of CDIs in the secondary market

The no-action letter requires that purchasers of CDIs in the secondary market make similar certifications and agreements to the ones that purchasers make in the Offer regarding their status as non-U.S. Persons.

Requirements of ASX and CUSIP Bureau

The no-action letter requires that ASX and entities like CUSIP Global Services take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- the CDIs issued under the Offer will be classified as FOR securities under the ASX Settlement Operating Rules and will be identified on trading screens as being on the FOR list. For this purpose, "Foreign Person" will be defined as a "U.S. Person" and the permitted foreign ownership level will be zero. As a result, no U.S. Person other than a QIB may apply for CDIs under the Offer. If you have a CHESS HIN designated as "Foreign", you may not subscribe for CDIs under the Offer. If for any reason CDIs are purchased by a U.S. Person that is not QIB under the Offer, the CDIs will be divested under the ASX Settlement Operating Rules;
- ASX will widely publish an explanation of the restricted stock identifier beginning a reasonable period prior to initial quotation of the Company's CDIs on ASX and continually thereafter; the CDIs will be identified in the records maintained by entities such as CUSIP Global Services, as restricted under the U.S. Securities Act, so that participants in book entry clearance facilities and others that trade the CDIs will have notice that transfers of the CDIs to U.S. persons are restricted and must qualify under an appropriate exemption (such as re-sales to QIBs pursuant to Rule 144);
- U.S. entities may not participate in the ASX market, either as brokers or as market-makers;
- no ASX trading screens may be placed in the U.S.; and
- whilst ASX and ASX Settlement will maintain these procedures and systems, neither the ASX or ASX Settlement is responsible for monitoring compliance with SEC requirements or U.S. law, nor is the ASX or ASX Settlement responsible to third parties for any misfeasance by the Company in relation to those procedures. If the Company breaches U.S. law, neither ASX nor ASX Settlement is responsible for those breaches.

Requirements of the Lead Manager and ASX Participating Organisations

The no-action letter requires that the Lead Manager and ASX Participating Organisations (brokers that are members of ASX) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- whether in the Offer or in secondary trading, ASX Participating Organisations must not execute a transaction on ASX in Regulation S securities if that broker knows that the purchaser is acting for the account or benefit of a U.S. Person unless that purchaser is a QIB in transactions complying with Rule 144A;

- in connection with any purchase of CDIs, whether in the Offer or any secondary trading, ASX Participating Organisations must make reasonable efforts to ascertain whether a purchaser is a U.S. Person or is acting for the account or benefit of a U.S. Person or that the purchaser is a QIB, and implement measures designed to assure reasonable compliance with these requirements;
- the confirmation sent to each purchaser of CDIs either in the Offer or in any secondary market trading must include a notice that the CDIs are subject to the restrictions of Regulation S;
- any information provided by the Lead Manager to publishers of publicly available databases, such as Bloomberg and Reuters, about the terms of the issuance of the CDIs must include a statement that the CDIs have not been registered under the U.S. Securities Act and is subject to restrictions under Regulation S.

Requirements of the Company

The no-action letter also requires that the issuer of the CDIs (i.e., the Company) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- the Company must undertake to provide notification of the Regulation S status of its CDIs in shareholder communications such as annual reports, periodic interim reports, and notices of shareholder meetings;
- the Bylaws must provide that the Company will refuse to register any transfer of the CDIs (or the Shares underlying those CDIs) not made:
 - in accordance with the provisions of Regulation S (Rule 901 through Rule 905 and preliminary notes);
 - pursuant to registration under the U.S. Securities Act; or
 - pursuant to an available exemption from registration; and
- during the distribution compliance period the Company undertakes that any information provided by the Company to publishers of publicly available databases, such as Bloomberg and Reuters, about the term of issuance of the CDIs must include a statement that the CDIs have not been registered under the U.S. Securities Act and are subject to restrictions under Regulation S.

Legending requirements

Global securities, certificates into which global securities may be subdivided and any physical certificate representing the Shares into which CDIs have been converted prior to the end of the restriction period must bear certain restrictive legends required under Regulation S and certain other pertinent provisions of the U.S. Securities Act and the regulations promulgated under the U.S. Securities Act. No Shares bearing the restrictive legend may be transferred by the Registry or other transfer agent without a favourable opinion of counsel or the assurance that the transfer complies fully with the U.S. Securities Act.

10.14 U.S. tax implications

General

This Section summarises certain U.S. federal income tax consequences of the ownership and disposition of CDIs by a non-U.S. holder and is relevant to Australian resident holders (among others). The tax consequences for CDI holders in respect of CDIs are generally the same as for Shares. Accordingly, references to Shares should also be read in this Section as a reference to CDIs in respect of the Shares.

This Section applies to you only if you acquire your Shares in this offering and you hold your Shares as capital assets for tax purposes. You are a non-U.S. holder if you are, for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from Shares.

This Section does not consider the specific facts and circumstances that may be relevant to a particular non-U.S. holder and does not address the treatment of a non-U.S. holder under the laws of any state, local or foreign taxing jurisdiction. This Section also does not address any estate or gift tax consequences of ownership or disposition of CDIs. This Section is based on the tax laws of the U.S., including the Internal Revenue Code of 1986, as amended, existing and proposed regulations, and administrative and judicial interpretations, all as at the date of this Prospectus. These laws are subject to change, possibly on a retroactive basis.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding Shares should consult its tax adviser with regard to the U.S. federal income tax treatment of an investment in Shares.

You should consult a tax adviser regarding the U.S. federal income tax consequences of acquiring, holding, and disposing of Shares in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

Dividends

If the Company makes a distribution of cash or other property (other than certain distributions of its stock) in respect of Shares, the distribution generally will be treated as a dividend to the extent of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Any portion of a distribution that exceeds the Company's current and accumulated earnings and profits will generally be treated first as a tax-free return of capital, on a share-by-share basis, to the extent of your tax basis in the Shares (and will reduce your basis in such Shares), and, to the extent such portion exceeds your tax basis in the Shares, the excess will be treated as gain from the taxable disposition of Shares, the tax treatment of which is discussed below under "Gain on Disposal of Shares".

Except as described below, if you are a non-U.S. holder of Shares, dividends paid to you are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to the Company or another payor:

- a valid U.S. Internal Revenue Service (**IRS**) Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-U.S. person and your entitlement to the lower treaty rate with respect to such payments; or
- in the case of payments made outside the U.S. to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the U.S.), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of U.S. withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the IRS.

If dividends paid to you are "effectively connected" with your conduct of a trade or business within the U.S., and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the U.S., the Company and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to the Company or another payor a valid IRS Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

- you are a non-U.S. person; and
- the dividends are effectively connected with your conduct of a trade or business within the U.S. and are includible in your gross income.

"Effectively connected" dividends are taxed at rates applicable to U.S. citizens, resident aliens and domestic U.S. corporations.

If you are a corporate non-U.S. holder, "effectively connected" dividends that you receive may, under certain circumstances, be subject to an additional 'branch profits tax' at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposal of Shares

If you are a non-U.S. holder, you generally will not be subject to U.S. federal income tax on any gain that you recognise on a disposition of Shares unless:

- the gain is “effectively connected” with your conduct of a trade or business within the U.S., and the gain is attributable to a permanent establishment that you maintain in the U.S., if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis;
- you are an individual, you hold Shares as a capital asset, you are present in the U.S. for 183 or more days in the taxable year of the sale and certain other conditions exist; or
- the Company is or has been a “U.S. real property holding corporation” (as described below), at any time within the five-year period preceding the disposition or your holding period, whichever period is shorter, you are not eligible for a treaty exemption, and either (i) the Shares are not regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs or (ii) you owned or are deemed to have owned, at any time within the five-year period preceding the disposition or your holding period, whichever period is shorter, more than 5% of the Shares.

If you are a non-U.S. holder and the gain from the taxable disposition of Shares is effectively connected with your conduct of a trade or business within the U.S. (and, if required by a tax treaty, the gain is attributable to a permanent establishment that you maintain in the U.S.), you will be subject to tax on the net gain derived from the sale at rates applicable to U.S. citizens, resident aliens and domestic U.S. corporations. If you are a corporate non-U.S. holder, “effectively connected” gains that you recognise may also, under certain circumstances, be subject to an additional ‘branch profits tax’ at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. If you are an individual non-U.S. holder described in the second bullet point immediately above, you will be subject to a flat 30% tax, or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate, on the gain derived from the sale, which may be offset by U.S. source capital losses, even though you are not considered a resident of the U.S.

The Company will be a U.S. real property holding corporation at any time that the fair market value of the Company’s “U.S. real property interests”, as defined in the Code (as defined below) and applicable Treasury Regulations, equals or exceeds 50% of the aggregate fair market value of the Company’s worldwide real property interests and other assets used or held for use in a trade or business (all as determined for the U.S. federal income tax purposes). While there can be no assurances, the Company does not believe that it is a U.S. real property holding corporation.

FATCA Withholding

Pursuant to Code Sections 1471 through 1474, commonly known as the Foreign Account Tax Compliance Act (**FATCA**), a 30% withholding tax (**FATCA withholding**) may be imposed on certain payments to you or to certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on your behalf if you or such persons fail to comply with certain information reporting requirements. Payments of dividends that you receive in respect of Shares could be affected by this withholding if you are subject to the FATCA information reporting requirements and fail to comply with them or if you hold Shares through a non-U.S. person (e.g., a foreign bank or broker) that fails to comply with these requirements (even if payments to you would not otherwise have been subject to FATCA withholding). You should consult your own tax advisers regarding the relevant U.S. law and other official guidance on FATCA withholding.

Backup Withholding and Information Reporting

If you are a non-U.S. holder, the Company and other payors are required to report payments of dividends on IRS Form 1042-S even if the payments are exempt from withholding. You are otherwise generally exempt from backup withholding and information reporting requirements with respect to dividend payments and the payment of the proceeds from the sale of Shares effected at a U.S. office of a broker provided that either (i) the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished a valid IRS Form W-8 or other documentation upon which the payor or broker may rely to treat the payments as made to a non-U.S. person or (ii) you otherwise establish an exemption. Payment of the proceeds from the sale of Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the U.S. (and in certain cases may be subject to backup withholding as well) if (a) the broker has certain connections to the U.S., (b) the proceeds or confirmation are sent to the U.S. or (c) the sale has certain other specified connections with the U.S.. In addition, certain foreign brokers may be required to report the amount of gross proceeds from the sale or other disposition of Shares under FATCA if you are presumed to be a U.S. person.

10.15 Australian taxation implications of investing under the Offer

Introduction

The tax implications provided below only relate to Australian Security Holders who hold their Securities on capital account. Different tax implications apply to non-resident Security Holders or Security Holders whose Securities are held on revenue account.

The comments in this Section 10.15 are general in nature on the basis that the tax implications for each Security Holder may vary depending on their particular circumstances. Accordingly, it is recommended that each Security Holder seek their own professional advice regarding the taxation implications associated with the Offer.

The information in this taxation summary has been prepared on the basis that investors are Australian tax residents who hold a portfolio interest in the Company (broadly, direct or indirect entitlements to distributions of profits or capital of, and voting rights in, the Company totalling less than 10%) and hold their CDIs on capital account for Australian income tax purposes.

The information does not address the tax consequences that arise for non-Australian tax resident investors, or if an investor holds their CDIs on revenue account, carries on a business of trading in shares, or as trading stock, and does not cover the consequences for Australian tax resident investors who are exempt from Australian income tax or who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements (TOFA) regime), the Investment Manager Regime or a concessional tax regime.

The information does not address the Australian tax consequences that arise if an Australian tax resident investor has a taxable presence in the U.S. This summary assumes that the Company and each of its subsidiaries will not be considered a "controlled foreign company" for the purpose of applying Australia's CFC regime.

The following summary is based on the relevant Australian taxation and stamp duty laws as at the date of this Prospectus. These laws, and their interpretation by the courts, are subject to change from time to time, including a change with retrospective effect. To the maximum extent permitted by law, the Company, its officers, and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of CDIs or New Options issued under this Prospectus.

This Section 10.15 does not constitute financial product advice as defined in the Corporations Act and is confined to Australian income tax, withholding tax, GST and stamp duty issues only. Taxation is only one of the matters investors need to consider when making a decision about their investments. Investors should consider taking advice from a licenced advisor, before making a decision about their investments.

Tax residence of the Company

The Company is incorporated in the U.S. and it is intended that the Company is a foreign resident for Australian tax purposes. The Company is not expected to be a tax resident of Australia on the basis that the Company will not have its central management and control in Australia and will not carry on a business in Australia. The issue of CDIs and New Options in the Company as a result of the IPO should not change the residency status of the Company for tax purposes.

Dividends

Australian resident individuals and complying superannuation entities

Dividends paid to Australian tax resident CDI holders will constitute assessable income of that CDI holder. Australian tax resident CDI holders who are individuals or complying superannuation entities are required to include the dividend in their assessable income (subject to the application of exemptions) in the year the dividend is paid.

On the basis that the Company is not an Australian tax resident company, dividends paid will be unfranked, even if the Company has been subject to tax on any Australian source income. Accordingly, franking credits will not attach to any dividend paid by the Company to Australian resident individuals and complying superannuation entities, and such CDI holders will generally be taxed at their marginal rate on the dividend received with no franking credit tax offset.

Where the dividend has been subjected to withholding tax in the U.S. and included in the CDI holder's assessable income, the amount included in the assessable income of an Australian tax resident CDI holder should be the gross amount of the dividend, (that is the amount received, grossed up for the amount of withholding tax paid).

A foreign income tax offset may be available to an Australian tax resident CDI holder for the U.S. withholding tax deducted and remitted to the U.S. tax authorities, subject to certain limits. Foreign income tax offsets are generally limited to the greater of A\$1,000, or the Australian income tax that would be payable (subject to certain assumptions) on the net income on which foreign tax is paid.

CDI Holders should seek their own independent professional tax advice as to whether any tax offset for U.S. withholding tax deducted in relation to the dividend paid may be obtained.

Australian corporate investors

Australian tax resident CDI holders who are corporate entities will be required to include any dividend income in their assessable income (subject to the application of exemptions) in the year in which the dividend is paid.

On the basis that the Company is not an Australian tax resident company, dividends paid will be unfranked, even if the Company has been subject to tax on any Australian source income. Franking credits will not attach to any dividend paid by the Company to Australian resident corporate entities. Accordingly, Australian tax resident CDI holders who are corporate entities will be taxed at their applicable company income tax rate on the dividend received with no franking credit tax offset.

Where the dividend has been subject to withholding tax in the U.S. and included in the CDI holder's assessable income, the amount included in the assessable income of an Australian tax resident CDI holder should be the gross amount of the dividend (that is, the amount received, grossed up for the amount of withholding tax paid in the U.S.).

A foreign income tax offset may be available to an Australian tax resident CDI holder for the U.S. withholding tax deducted in relation to the dividend paid. Where available, the amount of the foreign income tax offset should be equivalent to the withholding tax deducted and remitted to the U.S. tax authorities, subject to certain limits. Foreign income tax offsets are generally limited to the greater of A\$1,000, or the Australian income tax that would be payable (subject to certain assumptions) on the net income on which foreign tax is paid.

CDI holders should seek their own independent professional tax advice as to whether any tax offset for US withholding tax deducted in relation to the dividend paid may be obtained.

Trusts and partnerships

CDI holders who are trustees (other than trustees of complying superannuation entities or trusts that are treated in a similar manner to companies for Australian income tax purposes) or partnerships should include the dividend in determining the net income of the trust or partnership in the year in which the dividend is paid. The relevant beneficiary or partner may be required to include in their assessable income their share of the "net income" of the trust or partnership where that net income includes the dividend.

Franking credits will not attach to any dividend paid by the Company to an Australian trust or partnership.

Where the dividend has been subjected to withholding tax in the U.S., the amount included in the net income of the trust or partnership in the year should be the gross amount of the dividend (that is, the amount received, grossed up for the amount of withholding tax paid in the U.S.).

The relevant beneficiary or partner may be entitled to a foreign income tax offset for the U.S. withholding tax deducted in relation to the dividend paid. Where available, the amount of the foreign income tax offset should be equivalent to the beneficiary or partner's share of the withholding tax deducted and remitted to the U.S. tax authorities, subject to certain limits. Foreign income tax offsets are generally limited to the greater of A\$1,000, or the Australian income tax that would be payable (subject to certain assumptions) on the net income on which foreign tax is paid.

CDI holders, and relevant beneficiaries and partners, should seek their own independent professional tax advice as to whether any tax offset for U.S. withholding tax deducted in relation to the dividend paid may be obtained.

Disposal of CDIs

The disposal of CDIs by a CDI holder who holds the CDIs on capital account will be a capital gains tax event (CGT event) in the year in which the CDI holder enters into the contract for the disposal, or where there is no contract, the year of disposal.

A capital gain will arise to the extent the capital proceeds on disposal exceed the cost base of the CDI. Broadly, the cost base of the CDI will be the amount paid to acquire the CDI plus any transaction costs incurred in relation to the acquisition or disposal of the CDI (e.g. brokerage and legal fees). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the CDIs.

A capital loss will be realised where the reduced cost base of the CDI exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the CDI holder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

If a CDI holder is required to pay tax in another jurisdiction in respect of the disposal of their CDIs, that CDI holder should seek their own independent professional tax advice as to the Australian income tax implications, including whether any tax offset paid may be obtained.

CGT discount

A CGT discount may be available to reduce the net capital gain where the CDI holder is an individual, complying superannuation entity or trustee, and the CDIs have been held for more than 12 months prior to the CGT event. Companies are not entitled to the CGT discount. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by 50% after offsetting any available current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by 33⅓%, after offsetting any available current year or prior year capital losses. The discount may be reduced for any part of the ownership period that the CDI Holder is a foreign or temporary resident.

GST considerations

Australian GST should not be payable in respect of the issue, acquisition, disposal or transfer of the CDIs, or in respect of dividends. However, GST may be payable on brokerage fees.

Stamp duty considerations

Provided the Company is not a landholder for the purposes of the Duties Act in each Australian State, CDI Holders should not be liable for stamp duty in any Australian State or Territory on the issue or allotment of the CDIs as part of the Offer, nor the acquisition of CDIs or New Options that are quoted on the ASX and received under the Offer.

10.16 Interests of experts and advisers

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Novus Capital has acted as Lead Manager to the Offer. The Company has paid or agreed to pay the fees set out in Section 9.4. In addition, the Company has also agreed to issue 200,000 CDIs to Novus Capital upon completion of the Offer. An entity associated with Toby Lei, who is an Adviser of Novus Capital, participated in the Bridge Financing round on the terms set out in Section 9.6. This loan however is not related to the fees payable by the Company to Novus Capital in its role as Lead Manager. At completion of the Offer, Toby Lei (or entities associated with him) will hold an aggregate relevant interest in CDIs of less than 1% (on an undiluted basis) following the conversion of pre-IPO convertible notes that were issued in consideration for providing services to the Company to raise pre-IPO funds and otherwise issued for cash consideration. Refer to Section 10.4 for further details relating to the conversion of these pre-IPO convertible notes.

Saxby Capital has acted as the Corporate Advisers to the Offer. The Company has paid or agreed to pay a US\$13,000 per month for a minimum of 6-months as a Corporate Adviser fee (approximately A\$113,000). The Company has agreed to issue Saxby Capital 200,000 CDIs on completion of the Offer with respect to its services in connection with the IPO. Saxby Capital has previously been issued 4,325,730 CDIs in consideration for providing services to the Company to raise pre-IPO funds with Saxby Capital holding an aggregate relevant interest in CDIs on completion of the Offer of approximately 4% (on an undiluted basis).

Grant Thornton Corporate Finance Pty Limited has acted as the Australian Investigating Accountant and provided the Investigating Accountant's Report in Section 7. The Company has paid or agreed to pay an amount of approximately A\$115,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Grant Thornton Corporate Finance Pty Limited in accordance with time-based charges.

Maddocks has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately A\$240,000 (plus disbursements and GST) up to the date of this Prospectus in respect of these services. Further amounts may be paid to Maddocks in accordance with its normal time-based charges.

Troutman Pepper Hamilton Sanders LLP has acted as the U.S. Legal Adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately US\$300,000 (plus disbursements) up to the date of this Prospectus in respect of these services. Further amounts may be paid to Troutman Pepper Hamilton Sanders LLP in accordance with its normal time-based charges.

The Company will pay these amounts and other expenses of the Offer out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of the expenses of the Offer is set out in Section 8.4.

10.17 Offer expenses

The Company has paid or will pay all the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer (including lead management, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately A\$1,727,000 assuming Minimum Subscription is reached and A\$1,849,000 assuming the Maximum Subscription is reached of which approximately A\$19,000 has been paid at the Prospectus Date.

A Summary of the Offer costs is set out below:

| Offer Costs (A\$'000) | Minimum A\$8,000,000 | Maximum A\$10,000,000 | Minimum US\$8,000,000 | Maximum US\$10,000,000 |
|---------------------------------|---------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| Australian legal fees | 240 | 240 | 166 | 166 |
| United States legal fees | 435 | 435 | 300 | 300 |
| Specialist reports | 10 | 10 | 7 | 7 |
| Investigative accountant report | 115 | 115 | 79 | 79 |
| Travel | 20 | 20 | 14 | 14 |
| Media and investor relations | 10 | 10 | 7 | 7 |
| ASIC lodgement fee | 1 | 1 | 1 | 1 |
| Share registry fee | 48 | 48 | 33 | 33 |
| Printing | 10 | 10 | 7 | 7 |
| Listing fee | 123 | 125 | 86 | 86 |
| Lead Manager fees | 602 | 722 | 415 | 498 |
| Corporate advisory fee | 113 | 113 | 78 | 78 |
| Total | 1,727 | 1,849 | 1,193 | 1,276 |

10.18 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, 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 below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Novus Capital has consented to being named as Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Novus Capital;
- Grant Thornton Corporate Finance Pty Limited has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant, to the inclusion of its Investigating Accountant's Report in Section 7 in the form and context in which it appears and Grant Thornton Australia Limited has consented to the inclusion of its Australian tax summary in Section 10.15 in the form and context in which it appears, but it does not otherwise make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Grant Thornton Corporate Finance Pty Limited or by Grant Thornton Australia Limited;
- Grant Thornton Audit Pty Ltd has consented to being named in the Corporate Directory of the Prospectus as the Company's auditor, but does not otherwise make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement of Grant Thornton Audit Pty Ltd;
- Grant Thornton LLP has consented to being named in the Corporate Directory of this Prospectus as the Company's US tax adviser in the form and context in which it appears, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Grant Thornton LLP;
- Troutman Pepper Hamilton Sanders LLP has consented to being named in the Corporate Directory of this Prospectus as the U.S. Legal Adviser and to the inclusion of its US tax summary in Section 10.14 in the form and context in which it appears, but it does not otherwise make any other statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Troutman Pepper Hamilton Sanders LLP;
- Maddocks has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Maddocks;
- Automic Group Pty Ltd has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Automic Group has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Automic Group has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and
- Securities Transfer Corporation has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the US Share Registry for the Company. Securities Stock Transfer has had no involvement in the preparation of any part of the Prospectus other than being named as US Share Registry to the Company. Securities Transfer Corporation has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

10.19 ASX and ASIC waivers and confirmations

The ASX has given the Company 'in principle' advice that it would be likely to provide the confirmations and waivers described below on receipt of the Company's application for admission to the Official List of ASX:

- Waiver from Listing Rule 1.1, Condition 12 to enable the Company to have on issue certain existing options and new restricted stock units on ASX Listing, which have an exercise price below A\$0.20;
- Waivers from ASX Listing Rules 6.16, 6.19, 6.21 and 6.22 to the extent necessary to permit the Company to have certain existing options and warrants on issue that do not technically comply with the ASX Listing Rules;
- Guidance Note 19 – confirmation from ASX for the purposes of Guidance Note 19 that the terms of the new restricted stock units are appropriate and equitable;
- Confirmation for the purpose of Listing Rule 9.1 that "look through" relief will apply to shares issued under the Pre-IPO Restructure;
- Waiver of Listing Rule 14.21 to the extent of certain inconsistencies between Australian and US laws; and
- certain other standard confirmations relating to the Company's constitutional documents and financial reporting.

ASIC granted the Company relief from certain provisions of the Corporations Act under an ASIC Instrument dated 22 July 2022 (22-0665) and as described below:

- the modification of section 707(3) and 707(4) to permit the on-sale of Common Stock issued under certain existing warrants, the Bridge Convertible Loan Agreement, existing options, Silicon Valley Bank Warrants and RSUs within 12 months of issue without disclosure under Chapter 6D of the Corporations Act.

10.20 Legal proceedings

To the knowledge of the Directors, at the Prospectus Date there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved, which the Company believes is likely to have a material impact on the business or the financial results of the Company.

10.21 Investor considerations

Before deciding to participate in this Offer, you should consider whether the CDIs and New Options to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of CDIs listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant, or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.22 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

10.23 Statement of Directors

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

11. Defined terms

In this Prospectus:

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| A\$ | means Australian Dollars. |
| 2014 Equity Plan | means the Company's Amended and Restated 2014 Equity Incentive Plan dated 23 November 2014. |
| AEST | means Australian Eastern Standard Time. |
| AFSL | means Australian Financial Services Licence. |
| AI | is a reference to Artificial Intelligence. |
| AL | means the Company's Autonomous Logistics system. |
| Allotment Date | means the date on which the CDIs and New Options are allotted under the Offer. |
| Applicant | means a person who submits a valid Application Form and required Application Amount pursuant to this Prospectus. |
| Applicant Monies | means money put forward by an Applicant to pay the Applicant Amount. |
| Application | means an application for CDIs and New Options under this Prospectus. |
| Application Amount | means money submitted by Applicants under the Offer. |
| Application Form | means the application form attached to or accompanying this Prospectus for investors to apply for CDIs and New Options under the Offer. |
| ASIC | means the Australian Securities and Investments Commission. |
| Associate | has the meaning ascribed to that term in the Corporations Act. |
| ASU | means Accounting Standards Updates as issued by the Financial Accounting Standards Board. |
| ASX | means ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires. |
| ASX Corporate Governance Principles | means the corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus. |
| ASX Listing Rules | means the official Listing Rules of ASX as amended or waived and applicable to the Company from time to time. |
| ATO | means the Australian Taxation Office. |
| Australian Accounting Standards | means the financial reporting standards applicable to entities in the private and public sectors of the Australian economy as developed by the Australian Accounting Standards Board. |
| Balance Sheet | has the meaning ascribed to that term in Section 6.7. |
| Board | means the Board of Directors of the Company. |
| Board Charter | has the meaning ascribed to that term in Section 5.9. |
| Broker | means any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a broker to the Offer. |

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| Bridge Financing | Means the Convertible Loan Agreement dated 5 July 2022 described in Section 9.6. |
| Broker Firm Offer | has the meaning ascribed to that term in Section 8.6. |
| BVLOS | means Beyond Visual Line of Sight. |
| Bylaws | means the Company's Amended and Restated Bylaws, dated June 2022. |
| CASA | means the Civil Aviation Safety Authority. |
| CASR | means the <i>Civil Aviation Safety Regulations 1998</i> . |
| CDI | means a CHESS Depository Interest over a Share of common stock in the Company. |
| CDI Holder | means a holder of a CHESS Depository Interest. |
| CDN | means Chess Depository Nominees Pty Limited ACN 071 346 506. |
| Certificate of Incorporation | has the meaning ascribed to that term in Section 10.9. |
| CFC Regime | means the Controlled Foreign Company Regime. |
| CGT | means Capital Gains Tax. |
| Chairman's List Offer | has the meaning ascribed to that term in Section 8.8. |
| CHESS | means Clearing House Electronic Subregister System. |
| Closing Date | means the date that the Offer closes. |
| Common Prime Stock | has the meaning ascribed to that term by Section 10.9. |
| Common Stock | has the same meaning as Share. |
| Company or Nightingale | means Nightingale Intelligent Systems, Inc ARBN 659 369 221. |
| Company's Privacy Policy | refers to the Company's Privacy Policy which is located at www.nightingalesecurity.com/privacy . |
| Convertible Notes | means the US\$3.36 million (A\$4.87 million) of convertible notes issued by the Company, which convert into CDIs as set out in Section 10.4. |
| Corporate Adviser | means Saxby Capital. |
| Corporations Act | means the <i>Corporations Act 2001</i> (Cth). |
| CUSIP | means the Committee on Uniform Securities Identification Procedures. |
| DGCL | means Delaware General Corporation Law. |
| Directors | The directors (including any alternate directors) of the Company as at the date of this Prospectus. |
| EASA | means the European Union Aviation Safety Agency. |
| EGC | means an Emerging Growth Company under the JOBS Act. |
| Employee Options | means the options issued to employees of the Company prior to listing. |
| Existing Options | means the persons that hold Options at the Prospectus Date. |
| Existing Shareholders | The persons that hold Shares at the Prospectus Date. |
| Expiry Date | 16 September 2025. |

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| Exposure Period | The seven-day period after the date of lodgement of the Original Prospectus with ASIC (as extended by ASIC (if applicable)). |
| FAA | means the Federal Aviation Administration. |
| FASB | means the Financial Accounting Standards Board. |
| FATCA | means the Foreign Account Tax Compliance Act. |
| Hajaj | means Motasim Faleh Hajaj Technology Company Ltd and its affiliated entities. |
| HIN | means a Holder Identification Number. |
| Historical Financial Information | has the meaning ascribed by Section 7. |
| IFRS | means International Financial Reporting Standards. |
| Independent Consulting Agreement | means the agreement under which Mr Tschiderer is employed by the Company. |
| Independent Limited Assurance Report | has the meaning ascribed to that term by Section 7. |
| Institutional Applicant | An Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), and excluding a retail client within the meaning of section 761G of the Corporations Act. |
| Institutional Offer | The offer made to accepted Applicants. |
| International Auditing Standards | International Standards on Auditing (ISA) are professional standards for the performance of financial audits of financial information. These standards are issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). |
| IOT | means the Internet of Things. |
| IPO | means initial public offering. |
| IPP | means Intelligent Path Planning. |
| IRS | means Internal Revenue Service. |
| JOBS Act | means the Jumpstart Our Business Startups Act. |
| Key Executive | means Mr Wu and Mr Hsu. |
| Lead Manager | means Novus Capital Limited ACN 006 711 995, AFSL No 238168. |
| Listing Rules | means the ASX Listing Rules. |
| Maddocks | means Maddocks Lawyers ABN 63 478 951 337. |
| Management | means the Directors and Board of the Company. |
| Mandate Letter | has the meaning ascribed to that term by Section 9.4. |
| Maximum Subscription | A\$10,000,000. |
| Minimum Subscription | A\$8,000,000. |
| MRU | means maintenance, repair and upgrade. |

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| New Options | means the options to subscribe for Shares issued under the Offer on the terms set out in Section 10.6. |
| NIS UK | The Network & Information Systems Regulations (UK). |
| NGL | refers to the proposed ASX Code for the Shares. |
| TOFA | means Taxation of Financial Arrangements. |
| Non-Executive Director Options | has the meaning ascribed to that term by Section 10.5. |
| Offer | means the offer of CDIs and New Options to raise between minimum of A\$8,000,000 and a maximum of A\$10,000,000. |
| Offer Period | means the period during which investors may subscribe for CDIs and New Options under the Offer. |
| Offer Price | A\$0.35 (or US\$0.24 for US applicants under the Chairman's List Offer). |
| Official List | means the official list of quoted companies maintained by the ASX. |
| Option Exercise Form | A personalised Option Exercise Form that is sent to investors to complete and return to the Registry in order to exercise a New Option. |
| Option Holding Statement | A holding statement from the Registry showing the number of New Options held. |
| Original Prospectus | The prospectus issued by the Company dated 5 August 2022, which was lodged with ASIC on that date and is replaced by this Prospectus. |
| Pro Forma Adjustments | has the meaning ascribed to that term by Section 6.8. |
| Pro Forma Historical Consolidated Balance Sheet | has the meaning ascribed to that term by Section 6.7. |
| Pro Forma Historical Consolidated Statement of Operations | has the meaning ascribed to that term by Section 6.12. |
| Prospectus | This replacement prospectus, dated 19 August 2022, for the issue of CDIs and New Options to raise between A\$8,000,000 and A\$10,000,000 (including the electronic form of that Prospectus). |
| Prospectus Date | means the date on which this Prospectus was lodged with ASIC, being 19 August 2022. |
| QIB | A qualified institutional buyer as defined under the U.S. Securities Act. |
| R&D | means research and development. |
| RaaS | means Robot-as-a-Service. |
| RAID | means Robot Artificial Intelligent Detection. |
| RAS | means the Nightingale Robotic Aerial Security system. |
| Regional Distributor Agreement | means the Regional Distributor Agreement between Nightingale and Hajaj. |
| Regulation S | means Regulation S of the U.S. Securities Act. |
| Restricted Stock Units or RSUs | has the meaning ascribed to that term by Section 10.8. |
| Retail Applicant | means an Applicant who is not an Institutional Applicant. |
| RPAS | means Remotely Piloted Aircraft Systems. |

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| SaaS | means Software-as-a-Service. |
| SBIR | means Small Business Innovation Research. |
| SEC | means the Securities Exchange Commission. |
| Security | Includes a CDI which is the subject of the Offer, Shares and any other right, or any other equity interest in the Company. |
| Security Holders | means holders of CDIs or Shares. |
| Share | means a fully paid share of common stock in the capital of the Company. |
| Share Capital Restructure | has the meaning ascribed to that term by Section 10.4. |
| Share Register | means the register of Shareholders maintained by the Company. |
| Share Registry | means Automic Group Pty Ltd ABN 27 152 260 814. |
| Shareholder | means a registered holder of a Share. |
| SRN | means Securityholder Reference Number. |
| Statement of Operations | has the meaning ascribed to that term by Section 6.4. |
| Statutory Historical Consolidated Cash Flows | has the meaning ascribed to that term by Section 6.6. |
| STTR | means Small Business Technology Transfer. |
| SUAS | means Small Unmanned Aerial System. |
| Subscriber | An Applicant who is issued CDIs under the Offer. |
| Subscription Price | means the amount payable by Applicants to the Company for the issue of CDIs under the Offer being A\$0.35 per CDI. |
| TOFA | means the Taxation of Financial Arrangements Regime. |
| Troutman Pepper Hamilton Sanders | means Troutman Pepper Hamilton Sanders LLP. |
| U.S. Person | Has the meaning given to it in Rule 901(k) under Regulation S of the U.S. Securities Act. |
| U.S. Securities Act | The United States Securities Act of 1933, as amended from time to time. |
| UAV | means Unmanned Aerial Vehicle. |
| UHD | means Ultra High Definition. |
| Unlisted Options | means Options that are not listed for quotation on the ASX. |
| US Share Registry | Securities Transfer Corporation. |
| USAF | means the United States Air Force. |
| USGAAP | means US Generally Accepted Accounting Principles. |
| VLOS | means Vertical Line of Sight. |
| Warrants | means the warrants to acquire Shares on issue in the Company. |

Appendix 1 – Intellectual Property Summary

Summary of Intellectual property – Nightingale Intelligent Systems

Nightingale currently has 3 issued U.S. patents, 5 issued foreign patents, and 2 foreign applications filed and pending. These patents are in the key markets of USA, Europe, China, Taiwan, Israel and Singapore.

Further details of the patents and status of the applications are outlined in Table 1 below.

Table 1 – Patents

| Title of the Inventions | Priority Deadline | Prov and PCT | US Patent Application No. | Status in US | Non-US Countries Granted | Non US Countries Filed & Pending |
|--------------------------------|-------------------|-------------------|---------------------------|--------------|--------------------------|----------------------------------|
| AUTOMATED DRONE SYSTEMS | 03/12/2015 | 62/132,311 | | 3 Granted | CN,2 TW, IL, SG | CN (pending) |
| | | PCT/US2016/022205 | 9864372 | | | EP (published) |
| | | | 10303167 | | | |
| | | | 11215986 | | | |

Table 2 – Trade Marks

| Mark | Serial No. | Goods / Services |
|-----------------------------|------------|---|
| Nightingale Security | 87/204,304 | <u>Class 45</u> : Providing robotic aerial surveillance security services to corporations |

Appendix 2 – Summary of the Company's Significant Accounting Policies

Basis of Presentation

The Historical Financial Information has been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Liquidity

The Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Principles of Consolidation

The Historical Financial Information include the accounts of Nightingale, and its wholly-owned subsidiary, Nightingale (UK) Operations, Ltd. All significant intercompany transactions and balances have been eliminated in consolidation.

Comprehensive Loss

Comprehensive loss includes all changes in equity during a period from non-owner sources. Through December 31, 2021, there are no components of comprehensive loss which are not included in net loss; therefore, a separate statement of comprehensive loss has not been presented. The Company does not have any significant foreign currency translation adjustments as a component of other comprehensive loss through December 31, 2021, as the functional currency of its subsidiary is the U.S. Dollar.

Use of Estimates

The Company's Historical Financial Information has been prepared in accordance with U.S. GAAP. The preparation of Historical Financial Information in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's Financial Information. The most significant estimates in the Company's Financial Information relate to revenue recognition, determination of the cost and deriving the useful lives of the Company's drone units and base stations, assessing assets for impairment, ability to realize deferred tax assets, fair value measurements, valuation of financial instruments, valuation of stock options and warrants, and contingencies.

These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates.

Financial Instruments – Recognition and Derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Fair Value Measurements

The Company accounts for fair value measurements under Accounting Standards Codification 820, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value and requires disclosures about fair value measurements by establishing a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and lowest priority to Level 3 measurements. The three levels of the fair value hierarchy are described below:

- Level 1 – Observable inputs such as quoted prices in active markets
- Level 2 – Inputs other than quoted market prices in active markets that are observable, either directly or indirectly in active markets
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair value of financial instruments disclosed in the Financial Information have been determined by using available market information and appropriate valuation methodologies. In certain cases where there is limited activity or less transparency around inputs to valuation, such as the Company's derivative liability, these financial instruments are classified as Level 3.

The carrying value of all remaining current assets and current liabilities approximates fair value because of their short-term nature.

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company places its cash and cash equivalents in highly liquid instruments with financial institutions with high credit ratings.

Risks and Uncertainties

In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including expenses and research and development costs, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international markets. The Company has made estimates of the impact of COVID-19 within its financial statements and there may be changes to those estimates in future periods. Actual results could differ materially from those estimates.

Concentrations of Credit Risk and Significant Suppliers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalent deposits with financial institutions may occasionally exceed the limits of insurance on bank deposits. The Company has not experienced any losses on such accounts and management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institution in which those accounts are held.

The Company is also subject to credit risk from its accounts receivable. The Company extends credit to customers in the normal course of business and generally does not perform evaluations of customers' financial condition and generally does not require collateral. Concentrations of credit risk with respect to accounts receivable exist to the full extent of amounts presented in the consolidated financial statements.

The Company is dependent on third-party manufacturers to supply products and services for its drones and base stations. In particular, the Company relies, and expects to continue to rely, on a small number of third-party manufacturers to manufacture and supply the inventory and other materials for its security services. These activities could be adversely affected by a significant interruption in the supply of these items.

Accounts Receivable

Accounts receivable are derived from the sales and rental of proprietary drones and base station assets along with access to its browser-based interface Mission Manager. The Company reviews its receivables for collectability based on historical loss patterns, aging of the receivables, and assessments of specific identifiable customer accounts considered at risk or uncollectible and provides allowances for potential credit losses, as needed. The Company also considers any changes to the financial condition of its customers and any other external market factors that could impact the collectability of the receivables in the determination of the allowance for doubtful accounts. The allowance for doubtful accounts is \$158,150 as of both December 31, 2021 and 2020.

At December 31, 2021, the Company had three customers whose accounts receivable balance each totaled 10% or more of the Company's total accounts receivable (31%, 30%, 12%,) compared with two such customers (50% and 37%) at December 31, 2020.

For the year ended December 31, 2021, the Company had three customers (31%, 30%, 12%,) who individually accounted for 10% or more of the Company's total customer revenue compared with three such customers (23%, 16% and 15%) for the year ended December 31, 2020.

Deferred Offering Costs

The Company complied with the requirements of FASB ASC 340-10-S99-1 in accounting for offering costs. Prior to the completion of the offering, offering costs are capitalized. The deferred offering costs are charged against the proceeds of the related stock issuances upon the completion of an offering or to expense if the offering is not completed or aborted. Deferred offering costs were approximately \$13,000 and \$0 for the years ended December 31, 2021 and 2020, respectively and included in the Company's balance sheets within Prepaid expenses and other current assets.

Inventory

Inventories are valued at the lower of cost or net realizable value and determined using the average cost method. The Company's inventory consists of raw material components, finished drone units, and base stations. Finished drone units and base stations include materials, labor and other direct and indirect costs used in their production. Finished drone units and base stations are valued using a discrete bill of materials, which includes an allocation of labor and direct overhead based on assembly hours. The Company regularly assesses slow-moving, excess and obsolete inventory and maintains balance sheet reserves in amounts required to reduce the recorded value of inventory to the lower of cost or net realizable value.

Equipment on Operating Leases

Equipment is recorded at cost and depreciated over the estimated useful lives. Equipment on operating leases is depreciated to estimated salvage value over the lease term. Depreciation is computed using the straight-line method. Significant improvements are capitalized, and maintenance and repairs are expensed.

Property and Equipment

Property and equipment is stated at cost and includes computers, automobiles, leasehold improvements and machinery and equipment. Depreciation is computed using the straight line method over the estimated useful lives of two to five years for computers, automobiles, machinery and equipment. Leasehold improvements are amortized using the straight line method over the shorter of the remaining lease term or the estimated useful lives. Expenditures for repairs and maintenance, which do not extend the useful life of the property and equipment, are expensed as incurred and improvements and betterments are capitalized. Gains and losses associated with dispositions are reflected as a non-operating gain or loss in the consolidated statements of operations.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use or eventual disposition. If estimates of future undiscounted net cash flows are insufficient to recover the carrying value of the assets, the Company will record an impairment loss in the amount by which the carrying value exceeds the fair value. If the assets are determined to be recoverable, but the useful lives are shorter than originally estimated, the Company will depreciate or amortize the net book value of the assets over the newly determined remaining useful lives. The Company had a \$140,000 reserve recorded against certain early-generation drone units determined to be obsolete as of 31 December 2021. None of the Company's drone units, base stations or property and equipment was determined to be impaired as of 31 December 2021.

Deferred Revenue

When the Company is entitled to bill its customers and receive payment from its customers in advance of its obligation to provide services or transfer goods to its customers, the Company includes the amounts in deferred revenue on its consolidated balance sheets.

Revenue Recognition

The Company accounts for all revenue contracts in accordance with ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). A performance obligation is a promise in a contract to transfer distinct goods or services to a customer, and it is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized when each performance obligation under the terms of a contract is satisfied. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using observable standalone selling prices for similar products and services.

The substantial majority of our revenue is generated pursuant to written contractual arrangements for drone systems which include the drone and base equipment, deployment of the drone system, and subscriptions for access to the Company's browser-based interface, Nightingale Security Mission Manager, through contracts that typically have 12-month terms and automatically renew upon payment for an additional 12-month term thereafter.

The Company's performance obligations are satisfied over time or at a point in time. Revenue for maintenance, repair, and upgrades ("MRU"), as well as lease subscription revenues are recognized over the term of the contract which is generally one year, unless different terms are stated in the contract. For MRU, progress is measured via a time-based output method, which is days elapsed since the Company is standing ready to perform. The Company elected the right to invoice practical expedient in which if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, such as time elapsed for maintenance, repair, and upgrade services, the entity may recognize revenue in the amount to which the entity has a right to invoice. Training and other time and material-based services are recognized over time using an output method based on days of training/services completed unless the training or other services require less than one month and are therefore recognized point in time as training is completed.

For performance obligations which are not satisfied over time per the aforementioned criteria above, revenue is recognized at the point in time in which each performance obligation is fully satisfied. The Company's drone and base product, which has embedded software called C4AI, is composed of revenue recognized on contracts for the delivery of the drone, base, and spare parts. Revenue is recognized at the point in time when control transfers to the customer, which generally occurs when title and risk of loss have passed to the customer.

Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates including ASC Topic 606 – Revenue from Contracts with Customers and ASC Topic 842 Leases. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Specifically, the revenue related to the following areas involves significant judgments and estimates:

Lease Subscription Arrangements: The Company also leases its equipment direct to end customers under bundled lease subscription arrangements, which typically include the equipment, software, maintenance services, and training for which the customer pays a single negotiated fixed minimum monthly payment for all elements over the contractual lease term. Lease deliverables include the drone and base equipment and software as well as the deployment fee associated with the drone system, while the non-lease deliverables generally consist of the services, which include maintenance, repair, upgrades, and training. Revenues under these bundled lease subscription arrangements are allocated considering the relative standalone selling prices of the lease and non-lease deliverables included in the bundled arrangement. The allocation of revenue among the elements – drone and base equipment, software, and deployment vs. post-sale (maintenance, repair, upgrades, and training) – has remained fairly consistent at approximately 75% and 25%, respectively, over the past three years.

Sales to Distributors and Resellers: The Company utilizes distributors and resellers to sell many of its products, supplies and parts to end-user customers. Sales to distributors and resellers are generally recognized as revenue when products are shipped to such distributors and resellers. Distributors and resellers may participate in various discount, rebate, price-support, cooperative marketing and other programs, and the Company records provisions and allowances for these programs as a reduction to revenue when the sales occur. The Company did not record estimates for sales returns and other discounts and allowances when the sales occur for the year ended December 31, 2021 due to various factors, including a review of specific transactions and programs, historical experience and market and economic conditions.

Service Arrangements: Revenues associated with our service arrangements – maintenance, repairs, and upgrades (or "MRU"), and software-as-a-service pertaining to Nightingale Security Mission Manager – are generally recognized over the term of the service period which is generally one year as the customer is typically invoiced for that usage at the beginning of the one year period.

Significant management judgments and estimates must be made and used in connection with the recognition of revenue in any accounting period. Material differences in the amount of revenue in any given period may result if these judgments or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions. Management judgments and estimates have been applied consistently and have been reliable historically. The Company believes that there are two key factors which impact the reliability of management's estimates. The first of those key factors is that the terms of its contracts are typically for one year. The short-term nature of such contracts reduces the risk that material changes in accounting estimates will occur on the basis of market conditions or other factors. The second key factor is that it has numerous contracts in any given accounting period, which reduces the risk that any one change in an accounting estimate on one or several contracts would have a material impact on our consolidated financial statements.

Based on the nature of the contracts and consistent with prior practice, the Company recognizes revenue upon invoicing the customer for the large majority of its revenue. Additionally, the unit of accounting, that is, the identification of performance obligations, is consistent with prior revenue recognition practice. A significant portion of Drone and Base sales are either recorded as sales-type leases or through direct sales to customers or to distributors and resellers and these revenue streams are not impacted by the adoption of ASC Topic 606. The only change of significance identified in adoption involves a change in the classification of certain revenues that were

previously reported in services revenues. These revenues relate to certain analyst services performed in connection with the deployment of drone systems that are being considered part of the drone and base sale performance obligation. Accordingly, these revenues are reported as part of Sales.

Deferred contract costs, which include incremental costs of obtaining a contract and costs to fulfill a contract and sales commissions on reseller arrangements, had been minimal under prior Company practices as most costs to obtain a contract and fulfill a contract were expensed as incurred. As a result of the contract cost guidance included in ASC Topic 606 and ASC Topic 340-40 "Contracts with Customers", the Company determined that any transition asset would be immaterial related to the incremental cost to obtain contracts as the adjustment would relate to the deferral of sales commissions paid to resellers in connection with the deployment of drone systems with post sale service arrangements.

Revenue-based Taxes

Revenue-based taxes assessed by governmental authorities that are both imposed on and concurrent with specific revenue-producing transactions, and that are collected by the Company from a customer, are excluded from revenue. The primary revenue-based taxes are U.S. sales tax.

Shipping and Handling

Shipping and handling costs are accounted for as a fulfillment cost and are included in Cost of sales in the Consolidated Statements of Income.

Warrants Issued in Connection with Financings

The Company generally accounts for warrants issued in connection with financings as a component of equity, unless there is a deemed possibility that it may have to settle the warrants in cash. For warrants issued with a deemed possibility of cash settlement, the Company records the fair value of the issued warrants as a liability at each reporting period and records changes in the estimated fair value as a non-cash gain or loss in the consolidated statements of operations.

Derivative Liabilities

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. The Company accounts for certain redemption features that are associated with convertible notes as liabilities at fair value and adjusts the instruments to their fair value at the end of each reporting period. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in other income (expense), net in the consolidated statements of operations. Derivative instrument liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation – Stock Compensation, which requires that the estimated fair value on the date of grant be determined using the Black-Scholes option pricing model with the fair value recognized over the requisite service period of the awards, which is generally the option vesting period. Stock-based awards made to nonemployees are measured and recognized based on the estimated fair value on the vesting date and are re-measured at each reporting period. The Company's determination of the fair value of the stock-based awards on the date of grant, using the Black-Scholes option pricing model, is affected by the Company's value of its common stock as well as other assumptions regarding a number of highly complex and subjective variables. These variables include but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee option exercise behaviors. Because there is insufficient historical information available to estimate the expected term of the stock-based awards, the Company adopted the simplified method of estimating the expected term of options granted by taking the average of the vesting term and the contractual term of the option.

For awards with graded vesting, the Company recognizes stock-based compensation expense over the service period using the straight-line method, based on shares ultimately expected to vest. The Company also elected to recognize forfeitures as they occur when calculating the stock-based compensation for equity awards.

Deferred Rent

Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis over the term of the lease.

Research & Development Costs

Research and development costs primarily consist of employee-related expenses, including salaries and benefits, share-based compensation expense, facilities costs, depreciation and other allocated expenses. Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are recorded in sales and marketing expense in the Company's consolidated statements of operations as incurred.

Foreign Currency

The functional and presentation currency of the Company is the U.S. dollar. Transactions denominated in a currency other than the functional currency are recorded on the initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. The cumulative translation adjustment is included in the accumulated other comprehensive income (loss) within the consolidated statements of stockholders' deficit. Exchange differences are included in general and administrative expenses in the consolidated statements of operations. Non-monetary assets and liabilities measured at cost are remeasured at the exchange rate at the date of the transaction.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. The Company assesses its income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, the Company's policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

Comprehensive Loss

Net loss was equal to comprehensive loss for the years ended December 31, 2021, 2020 and 2019.

Corporate Directory

Company

Nightingale Intelligent Systems, Inc
ARBN 659 369 221

8450 Central Ave
Newark, CA 94560, United States

Phone: +1 (408) 909-7227
Email ras@nightingalesecurity.com
Web www.nightingalesecurity.com

Directors

Jack Wu
Executive Director & Chief Executive Officer

Denis Hébert
Non-Executive Chairman (Independent)

Alan Braverman
Non-Executive Director (Independent)

Stratos Karousos
Non-Executive Director (Independent)

Tony Zhang
Non-Executive Director

Company Secretary

Michael Tschiderer

Registered Office – United States

8450 Central Ave
Newark, CA 94560, United States

Proposed ASX Code

ASX: NGL

Investigating Accountant

Grant Thornton Corporate Finance Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000 Australia

Lead Manager

Novus Capital Limited
AFSL 238168
Level 20, 68 Pitt Street
Sydney NSW 2000 Australia

Australian Legal Adviser

Maddocks Lawyers
Level 27, Angel Place
123 Pitt Street
Sydney NSW 2000 Australia

U.S. Legal Adviser

Troutman Pepper Hamilton Sanders LLP
5 Park Plaza, 14th Floor
Irvine, California 92626, United States

Registry

United States

Securities Transfer Corporation
2901 N Dallas Parkway Suite 380
Texas, 75093

Australia

Automic Group Pty Ltd
Deutsche Bank, Tower
Level 5/126 Phillip St
Sydney NSW 2000

Broker Firm Offer Application Form



BROKER FIRM OFFER APPLICATION FORM

Broker Code

Adviser Code

Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay. You should read the Nightingale Intelligent Systems, Inc (ARBN 659 369 221) Prospectus dated 19 August 2022 and any relevant supplementary or replacement Prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary or replacement Prospectus (whether in paper or electronic form). **This Application Form and your payment must be received by 5.00pm (AEST) on 02 September 2022.**

Standard Application and Pay by Cheque

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on page 2 of the form.

1. Number of CDIs applied for

Application payment (multiply box 1 by \$0.35 per CDI)

| | | | | | | | | |
|------------------------------|--|--|---------------------------|--|--|---------------|--|--|
| Number of Shares Offered To: | | | Application Payment Made: | | | Date of Sale: | | |
| | | | | | | | | |

_____ A\$ _____, _____, _____

Applications must be for a minimum of 6,000 CDIs and in multiples of 1,000 CDIs thereafter.

2. Applicant name(s) and postal address (Refer to Naming Standards overleaf)

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| Applicant Name(s) and Postal Address (Not a Training Candidate Only) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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3. Contact details

Telephone Number

()

Contact Name (PLEASE PRINT)

Email Address

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

4. CHESS Holders Only – Holder Identification Number (HIN)

[illegible]

Note: if the HIN is incorrect or the name and address details in section 2 does not match exactly with your registration details held at CHES, any CDIs issued as a result of your Application will be held on the Issuer Sponsored subregister.

5. TFN/ABN/Exemption Code

Applicant #1

Applicant #2

Applicant #3

[illegible]

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If NOT an individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

6. Cheque Payment details

Cheque or Bank Draft Number

BSB

Account Number

[illegible]

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Total Amount **A\$** , , .

YOUR PRIVACY

Automatic Pty Ltd (ACN 152 260 814) trading as Automatic Group advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the Securities you hold) to be included in the public register of the entity in which you hold Securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|-----------------------------|---|---------------------------------|
| Individual | Mr John Richard Sample | J R Sample |
| Joint Holdings | Mr John Richard Sample & Mrs Anne Sample | John Richard & Anne Sample |
| Company | ABC Pty Ltd | ABC P/L or ABC Co |
| Trusts | Mr John Richard Sample <Sample Family A/C> | John Sample Family Company |
| Superannuation Funds | Mr John Sample & Mrs Anne Sample <Sample Family Super A/C> | John & Anne Superannuation Fund |
| Partnerships | Mr John Sample & Mr Richard Sample <Sample & Son A/C> | John Sample & Son |
| Clubs/Unincorporated Bodies | Mr John Sample <Health Club A/C> | Health Club |
| Deceased Estates | Mr John Sample <Estate Late Anne Sample A/C> | Anne Sample (Deceased) |

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS BROKER FIRM OFFER APPLICATION FORM.

This is an Application Form for CDIs and free attaching options in Nightingale Intelligent Systems, Inc (ARBN 659 369 221) (**Company**) made under the terms of the Broker Firm Offer set out in the Prospectus dated 19 August 2022.

The Broker Firm Offer is open to Australian resident retail clients of Brokers who have received a firm allocation to apply for CDIs under the Broker Firm Offer. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate CDIs to you under the Broker Firm Offer.

Capitalised terms not otherwise defined in this document have the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for CDIs. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

- CDIs Applied For & Payment Amount** - Enter the number of CDIs you wish to apply for and the applicable application monies payable. Applications must be for a minimum of 6,000 CDIs at \$0.35 per CDI (for a minimum subscription amount of \$2,100). A larger number of CDIs may be applied for in multiples of 1,000 CDIs.
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold CDIs. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal at <https://investor.automic.com.au/#/home>

- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold CDIs allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section 1.

If you receive a firm allocation of CDIs from your Broker, make your cheque payable to your Broker in accordance with your instructions.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of CDIs that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the CDIs to be allocated;
- Am/are over 18 years of age;
- Agree to be bound by the Bylaws and Certificate of Incorporation of the Company;
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the CDIs, nor do they guarantee the repayment of capital; and
- acknowledge and agree that certain representations and warranties are required to be given in connection with our application (being those set out in Section 10.13 of the Prospectus) and understand that by completing the Application Form I/We will be deemed to have made those representations and warranties.

LODGEMENT INSTRUCTIONS

The Broker Offer is expected to open on 22 August 2022 and is expected to close at 5:00pm (AEST) on 02 September 2022. The Directors reserve the right to withdraw the Offer, close the Offer early or extend the Offer period.

If you have been contacted by your Broker regarding the Broker Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. Do NOT lodge this Application form with the Share Registry.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Offer.

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



PHONE:

1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia



LIVE WEBCHAT:

Go to www.automicgroup.com.au



EMAIL:

corporate.actions@automicgroup.com.au



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