Appendix 4E (Preliminary Final Report)

Key results

- **Positive Operating Cashflow:** Net positive operating cashflow of US$1.0m, seventh consecutive year of positive operating cashflows

- **Solid cash receipts:** Cash receipts grew to US$7.77m (FY24) from US$7.47m (FY23), a 4% gain. The Company's cash receipts and revenues can often be disconnected over a period due to project revenue recognition in different periods under IFRS reporting

- **Continued Support Revenue Growth:** a KPI for the Company, these long term revenue streams (typically 10+ year) continue to grow with every new mission critical communications network that's deployed. Recurring support revenues grew to US$2.3m a 27% increase over FY23.

- **Revenue of US $5.93 m down 37% vs FY2023:** Separate to the Company's consistently growing support revenue, the Company's project and royalty revenues can be "lumpy" from period to period as these revenues can often straddle reporting periods and unforeseen delays in project deliveries can further exacerbate this. As can be seen in recent years results, deferred project revenues in one period often results in larger project revenue in subsequent periods. During FY24, two projects had unexpected delays, for reasons beyond the Company's control, resulting in lower project revenues for the period. Despite growth in customer receipts and recurring support revenues, project revenues delays have resulted in a lower revenue number for FY24 of $5.9m resulting in an NPAT loss of $3.9m for the period.

- **Continued R&D Spend:** totaling $2.6m primarily in the Company's emerging MCX/IWF solution products, spend is in line with $2.7m (FY23). The company balanced continued significant R&D spend with delayed project revenues based on management's visibility of FY25 cash receipts and expected contractual revenue from existing customers

- **Repeat Strategic Customer Orders:** from AT&T FirstNet, Samsung, Rio Tinto and the Commonwealth of Australia

- **Group is well positioned for 2025 and beyond**

Etherstack plc (ASX: ESK) ("Etherstack" or the "Company") is pleased to present the Appendix 4E (Preliminary final report) for the year ended 31 December 2024.

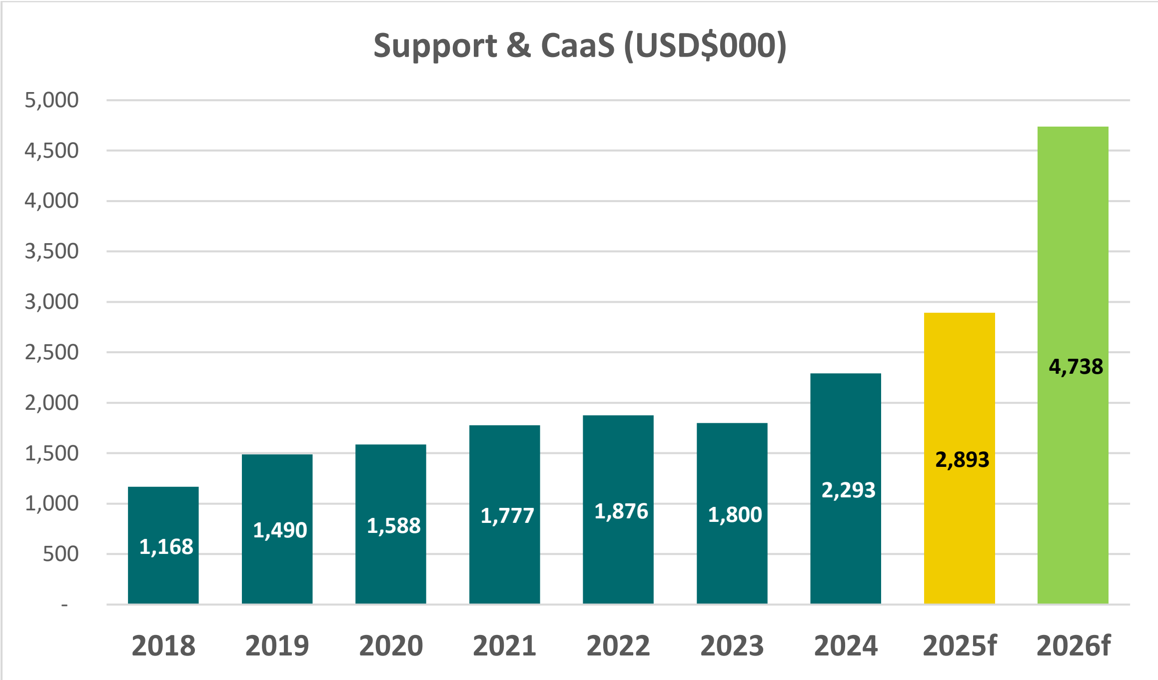
David Deacon, Etherstack CEO noted, “While FY2024 revenue is down on FY 2023 revenue it is important to understand the revenue results in context:

- Positive operating cashflow
- Increased cash receipts
- Continued support revenue growth (27%+)
- Etherstack revenues remain vulnerable to project milestone volatility and this is reflected in the 2024 revenue outcome. The volatility stems from dependence on a small number of large contracts. During FY24, two projects had unexpected delays, for reasons beyond the Company’s control, resulting in lower project revenues for the period. Despite growth in customer receipts and recurring support revenues, project revenues delays have resulted in a lower than expected revenue number for the FY period of $5.9m resulting in an NPAT loss of $3.9m for the period.

The decreased revenues in FY2024 flows directly through to the EBITDA loss and the net loss after tax.

Importantly, the company is well placed for 2025 and beyond:

- In January 2025 the company announced a new contract directly with AT&T to supply wireless network equipment and associated services. As noted at the time, this direct award with AT&T for one of our innovative products in a rapidly evolving public communications product area is testament to Etherstack’s capability in building the best products for the world’s largest telco operators and switch vendors
- The Company has continued to deploy its P25 technology in the Land Mobile and Radio (“LMR”) market which has continued to perform strongly with further networks deployed into several Rio Tinto mine sites in 2024 and also in 2025
- The key driver for reducing revenue volatility caused by project revenues is to continue to build the recurring support revenue base. Support revenue was $2.293 m in 2024 an increase of $0. 493 m or 27.4% over 2023 and the highest support revenue in Etherstack’s history. This revenue stream has increased in FY2024 as a result of the new networks deployed in particular the for Rio Tinto mine sites and commencement of support for Samsung for MCX-IWF deployments as they have been delivered and become operational. In addition, the company has secured very high retention of supported networks
- Etherstack continued to invest significant funds into the portfolio of intellectual property assets. In FY2024 we invested a further US$ 2.606 m following a record investment of US $2.743m in FY2023 into developing and enhancing the intellectual property assets which produce future revenues. This is driven primarily by the MCX-IWF programme. To date, Etherstack has invested over US $32 m in intellectual property assets
- New CaaS Revenue Streams: During FY2025, Etherstack will launch CaaS (Communications as a Service) to existing and potential customers in four countries. Management forecasts these revenues to impact the combined support and CaaS recurring revenues as follows:



- Contracts Under Negotiation: The Company is currently at an advanced stage of negotiation for a material contract with an existing customer in a core business area. Due to the material impact that this contract will have on forward revenues and profitability, management has decided to defer the results presentation call for several weeks to allow this deal to conclude. If successful, at the conclusion and announcement of this deal, management will schedule a call to provide shareholders an update on FY2024 results and the impact of this potential contract on FY2025 – FY2028 earnings.

While the decrease in revenue has caused a loss after tax in the current reporting period, the work done in FY 2024 is building a bright long-term future. Etherstack has built an opportunity pipeline, a significant and valuable intellectual property portfolio and developed highly skilled engineering and sales teams. With these fundamentals in place, management believe the Company is well placed for growth in FY 2025 and beyond."

Authorised for release by David Carter, Company Secretary.

Enquiries

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About Etherstack plc (ASX:ESK)

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

For more information

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Appendix 4E
Preliminary final report

Name of Entity: **Etherstack plc**

ARBN: **156 640 532**

1. Reporting Period ("current period"): Year ended 31 December 2024
Previous corresponding period: Year ended 31 December 2023

2. Results for announcement to the market

		USD $000	%		31 Dec 2024 USD $000	31 Dec 2023 USD $000
Revenue from ordinary activities	decreased	**3,487**	**37**	to	**5,932**	**9,419**
EBITDA (Note 1)	decreased	**3,845**	**144**	to	**(1,172)**	**2,673**
Statutory net (loss)/profit from ordinary activities after tax attributable to members	decreased	**4,416**	**846**	to	**(3,894)**	**522**
Statutory net (loss)/profit for the period attributable to members	decreased	**4,416**	**846**	to	**(3,894)**	**522**

Note 1. EBITDA is a non-IFRS measure used by management of the company to assess the operating performance of the business. Non-IFRS measures are not subject to audit.

EBITDA is statutory net profit before tax adjusted to remove net finance costs, income tax, depreciation and amortisation. EBITDA is reconciled to Statutory profit after tax on page 8 of this report.

The report is based on accounts which are in the process of being audited.

2024 Results Summary and Commentary - all amounts are in **USD** unless otherwise indicated.

Results Highlights

- **Positive Operating Cashflow:** Net positive operating cashflow of US$1.0m, seventh consecutive year of positive operating cashflows

- **Solid cash receipts:** Cash receipts grew to US$7.77m (FY24) from US$7.47m (FY23), a 4% gain. The Company's cash receipts and revenues can often be disconnected over a period due to project revenue recognition in different periods under IFRS reporting

- **Continued Support Revenue Growth:** a KPI for the Company, these long term revenue streams (typically 10+ year) continue to grow with every new mission critical communications network that's deployed. Recurring support revenues grew to US$2.3m a 27% increase over FY23.

- **Revenue of US $5.93 m down 37% vs FY2023:** Separate to the Company's consistently growing support revenue, the Company's project and royalty revenues can be "lumpy" from period to period as these revenues can often straddle reporting periods and unforeseen delays in project deliveries can further exacerbate this. As can be seen in recent years results, deferred project revenues in one period often results in larger project revenue in subsequent periods. During FY24, two projects had unexpected delays, for reasons beyond the Company's control, resulting in lower project revenues for the period. Despite growth in customer receipts and recurring support revenues, project revenues delays have resulted in a lower revenue number for FY24 of $5.9m resulting in an NPAT loss of $3.9m for the period.

- **Continued R&D Spend:** totaling $2.6m primarily in the Company's emerging MCX/IWF solution products, spend is in line with $2.7m (FY23). The company balanced continued significant R&D spend with delayed project revenues based on management's visibility of FY25 cash receipts and expected contractual revenue from existing customers

- **Repeat Strategic Customer Orders:** from AT&T FirstNet, Samsung, Rio Tinto and the Commonwealth of Australia

- **Group is well positioned for 2025 and beyond**

Revenue (All amounts are in USD and $000 unless otherwise indicated)

FY 2024 Revenue is $5,932. This is a 37% decrease over FY 2023 revenue of $9,419. Project related revenues decreased for the reasons noted above but were offset by increased Support revenues. Royalty revenues are the smallest component and decreased from $133 in FY2024 to $52.

	2024	2023	
Projects	3,587	7,486	▼
Support	2,293	1,800	▲
Royalties	52	133	▼
	5,932	**9,419**	▼

Project Revenues

Project revenues comprising License fees, installation/integration and supply of wireless communications technology were $3,587 in FY 2024 compared to $7,486 in FY 2023, decrease of $3,899 or 52%.

The main project revenues in 2024 were derived from Federal government projects and deployments connected with the extractive industry sector in Australia. The planned deliverables for 2024 have been deferred into future periods. As is common with projects of this scale and complexity, the original plan including the timeline for the project has evolved over time however the fundamental scope and revenue for Etherstack has not changed. The deferral of deliverables was not due to any inability to deliver on the part of Etherstack.

Recurring revenues

Aggregate recurring revenues comprising royalties and support revenue streams are $2,345 for FY 2024 compared to $1,933 for FY 2023. Within this aggregate recurring revenue amount:

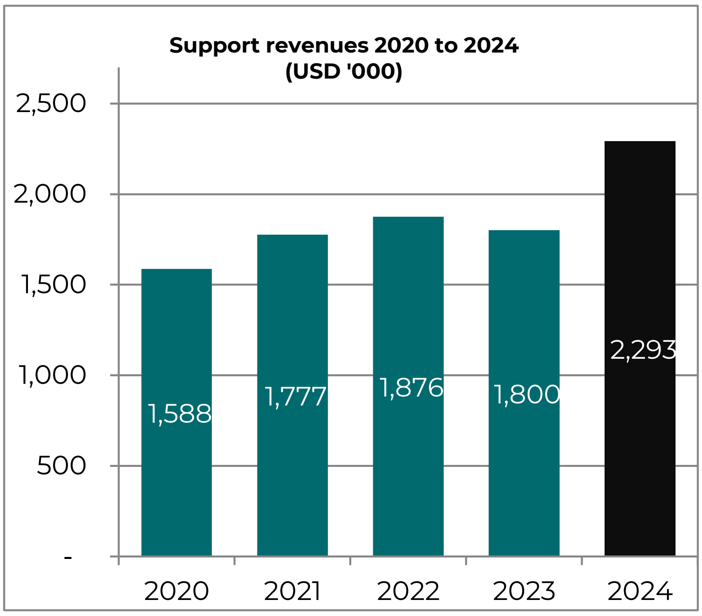
- Support revenues increased from $1,800 in FY 2023 to $2,293 in FY 2024. This is a $493 or 27% increase; and
- Royalty revenues decreased from $133 in FY 2023 to $52 in FY 2024.

Recurring revenues reduce both overall revenue volatility and cash flow volatility. Furthermore, they reduce dependence upon a small number of large contracts where timing of revenue recognition is difficult to accurately forecast given the scale and nature of the projects and end users.

Support revenues

Support revenues increased in FY 2024 to $2,293 from $1,800 in FY 2023. The net increase is due to additional network deployments leading to additional supported networks. New networks commencing support include networks connected to Rio Tinto mines and a portion of the AT&T FirstNet. In additional there are CPI increases applied to support agreements on renewal and additional devices added into existing customers supported networks.

The 2024 support revenue result is consistent with the forecast provided.



Result for 2024

Statutory loss after income tax is $3,894 compared to a profit after income tax of $522 in FY 2023.

The FY 2024 decrease in statutory profit after tax is $4,416 predominantly due to reduced revenues which decreased by $3,487.

In addition, there are other factors contributing to the reduced profit:

- Gross margin decreased from 55% in FY 2023 to 24% in FY 2024. Gross margin can vary significantly depending on the mix of Etherstack hardware, software and services content, which are at a higher margin, and third-party products where the margins are lower. In FY 2024:
    - Reduced software revenues does not translate into significant direct cost reductions as the cost base is relatively fixed. The cost of sales in 2024 is $4,531 compared to $4,263 reflecting an increase of $268. Cost of sales includes the amortisation charge on the intangible assets. In FY 2024 the amortisation charge increased from $1,651 in FY 2023 to $1,994 – an increase of $343 - thereby decreasing the gross margin percentage (Etherstack amortises intangibles over a 6 year straight line basis).
    - The increase in support revenues has a small positive impact on gross margin as the additional support was largely absorbed into the existing engineering cost base.
- Other costs increased slightly as a result of inflationary impacts or modest increases in capability.
    - Sales and Marketing Costs have increased by $188 to $1,408 in FY 2024 over FY 2023.
    - Administrative costs increased in FY 2024 by $250 or 7.2% to $3,736
- The Etherstack group has operations in Australia, Europe, Japan, United Kingdom and the United States, as a consequence is exposed to gains and losses from foreign currency fluctuations between the reporting currency, USD, and the other currencies in which transactions are undertaken; Australian dollar, Yen, Euro and GBP. In FY 2024 there was a currency loss of $48 compared to a gain of $8 in FY 2023.
- Reduced income tax benefits mainly as the criteria have changed for eligibility for the Research and Development incentives.

EBITDA

The Company considers EBITDA to be a useful measure of performance as it excludes the significant non-cash amortisation expense.

EBITDA has decreased to loss of $1,172 from profit of $2,673 in FY 2023. The key reasons for the decreased EBITDA being reduced revenues and changed gross margin are summarised above.

	2024	2023
Statutory profit after tax	(3,894)	522
After tax effect of:		
Depreciation	237	237
Depreciation of right-of-use assets	200	212
Amortisation	1,994	1,651
Interest and other finance cost	206	181
Income tax	85	(130)
EBITDA	**(1,172)**	**2,673**

Sustained investment into Intellectual property assets

Etherstack continued to invest significant funds into its portfolio of intellectual property assets. In FY2024, the Company invested US$ 2,606 (FY 2023 US $2,743) into developing and enhancing the intellectual property assets which produce future revenues. This is the largest investment Etherstack plc has made in a financial year and is driven by the MCX-IWF programme. To date, Etherstack has now invested over US $ 32 m in intellectual property assets.

2024 Overall and 2025 outlook

The revenue result reflects vulnerability to volatility from dependence on a small number of large contracts. Importantly, the key reason underlying the decrease is a timing issue rather than a permanent decrease in the revenue base of the business. Accordingly, Etherstack has continued to invest in its Intellectual property assets and to build engineering capabilities.

Etherstack is generating positive operating cash and is demonstrating the ability to generate positive economic results over the longer term and its ability to balance cash resources, debt and investment spending within tight boundaries.

The financial metrics of the business remain vulnerable to some volatility given the dependence on a small number of individually large projects, however with a healthy opportunity pipeline, sustained investment in our intellectual property portfolio and highly skilled engineering and sales teams, management believe the Company is poised for further growth in FY 2025 and beyond.

Management has already seen strong cash receipts and project revenues in Q1 2025.

New CaaS Revenue Streams: During FY2025, Etherstack will launch CaaS (Communications as a Service) to existing and potential customers in four countries.

Contracts Under Negotiation: The Company is currently at an advanced stage of negotiation for a material contract with an existing customer in a core business area.

Dividends

No dividends are proposed. The company intends to commence payment of dividends after achieving positive retained earnings in future years.

Record date for determining entitlements to the dividends: Not applicable.

3. Consolidated statement of comprehensive income

	2024 USD $000	2023 USD $000
Revenue from Contracts with Customers	5,932	9,419
Cost of sales	(4,531)	(4,263)
Gross profit	1,401	5,156
Other income	188	115
Sales and Marketing expenses	(1,408)	(1,220)
Administrative expenses	(3,736)	(3,486)
Net foreign exchange (losses) / gains	(48)	8
Gross operating (loss)/ profit from continuing operations	(3,603)	573
Finance income-interest	15	5
Finance expense-borrowing costs	(221)	(186)
Net finance expense	(206)	(181)
(Loss)/ Profit before taxation	(3,809)	392
Income tax benefit	(85)	130
(Loss)/Profit after taxation attributable to the equity holders of the parent	(3,894)	522
Other Comprehensive Income/(Loss)		
Items that will be classified to profit and loss:		
Exchange differences on translation of foreign operations	69	(92)
Total comprehensive profit attributable to the equity holders of the parent	(3,825)	430
(Loss)/Earnings per share		
Basic (in US cents)	(2.95)	0.40
Diluted (in US cents)	(2.95)	0.39

	2024 USD $000	2023 USD $000
Revenue from Contracts with Customers		
Licence fees, installation/integration and supply of wireless communications technology	3,587	7,486
Support services	2,293	1,800
Royalties	52	133
	5,932	**9,419**
Other income		
Grant receipts – research and development incentives	188	115

Expenses

Included within expenses are the following:

	2024	2023
Depreciation of property, plant and machinery	237	237
Depreciation of Right-of-use assets	200	212
Rental expenses	77	98
Amortisation of intangible assets	1,994	1,651
Finance costs – interest on loans	155	126
Finance costs – interest on leased assets	33	55

4. Condensed consolidated balance sheet

	Note	2024 USD $000	2023 USD $000
Current assets			
Cash and cash equivalents		136	2,061
Trade and other receivables	8	3,325	4,606
Inventories	7	237	294
		3,698	6,961
Non-Current Assets			
Property, plant and equipment	10	248	414
Intangible assets	9	8,768	8,156
Trade and other receivables	8	412	504
Right-of-use assets		627	188
		10,055	9,262
Total assets		**13,753**	**16,223**
Current liabilities			
Trade and other payables	11	1,658	1,570
Current tax liabilities		219	93
Unearned revenue		1,145	1,016
Employee entitlements		714	659
Lease liabilities		192	223
Borrowings	12	197	-
		4,125	3,561
Non-Current Liabilities			
Unearned revenue		352	321
Employee entitlements		40	39
Lease liabilities		475	50
Borrowings	12	2,443	2,425
		3,310	2,835
Total Liabilities		7,435	6,396
Net Assets		**6,318**	**9,827**
Equity			
Share capital	13	752	751
Share premium account		16,042	16,042
Other Equity		84	84
Merger reserve		3,497	3,497
Share based payment reserve		936	1,131
Foreign currency translation reserve		(2,829)	(2,898)
Retained earnings		(12,164)	(8,780)
Total equity		**6,318**	**9,827**

5. Condensed consolidated statement of cash flows

	2024 USD $000	2023 USD $000
Cash flows from operating activities		
Receipts from customers	7,764	7,466
Payments to suppliers and employees	(6,856)	(7,160)
Interest paid	(37)	(90)
Government grants and tax incentives	230	651
Income tax paid	(107)	(105)
Net cash generated from operating activities	994	762
Cash flows from Investing activities		
Additions to intangible assets	(2,606)	(2,743)
Purchases of property plant and equipment	(90)	(106)
Net cash (used in) investing activities	(2,696)	(2,849)
Cash flows from Financing activities		
Proceeds from issue of shares	-	32
Share issue costs	-	(4)
Principal element of lease payments	(239)	(228)
Proceeds from loans	203	3,122
Repayments of loan	-	(622)
Interest paid	(163)	(87)
Net cash from/(used in) financing activities	(199)	2,213
Net increase/(decrease) in cash and cash equivalents	(1,901)	126
Cash and cash equivalents at beginning of year	2,061	1,918
Effect of foreign exchange rate differences	(24)	17
Cash and cash equivalents at end of year	136	2,061

6. Statement of changes in equity

	Share Capital USD $000	Share Premium USD $000	Other Equity USD $000	Share Based payment USD $000	Merger reserve USD $000	Foreign Currency Translation reserve USD $000	Retained earnings USD $000	Total USD $000
Balance at 1 January 2023	**745**	**16,017**	**-**	**928**	**3,497**	**(2,806)**	**(9,302)**	**9,079**
Profit for the year	-	-	-	-	-	-	522	522
Other Comprehensive Income – (losses)	-	-	-	-	-	(92)	-	(92)
Total Comprehensive income	-	-	-	-	-	**(92)**	**522**	**430**
Issue of Share Capital	6	25	-	-	-	-	-	31
Value of conversion rights	-	-	84	-	-	-	-	84
Share based payments	-	-	-	203	-	-	-	203
Transactions with owners	**6**	**25**	**84**	**203**	**-**	-	-	**318**
At 31 December 2023	**751**	**16,042**	**84**	**1,131**	**3,497**	**(2,898)**	**(8,780)**	**9,827**
Profit for the year	-	-	-	-	-	-	(3,894)	(3,894)
Other Comprehensive Income – gain	-	-	-	-	-	69	-	69
Total Comprehensive income	**-**	**-**	**-**	**-**	**-**	**69**	**(3,894)**	**(3,825)**
Issue of Share Capital	1	-	-	-	-	-	-	1
Cancellation of performance rights	-	-	-	(510)	-	-	510	-
Share based payments	-	-	-	315	-	-	-	315
Transactions with owners	**1**	**-**	**-**	**(195)**	**-**	**-**	**510**	**316**
At 31 December 2024	**752**	**16,042**	**84**	**936**	**3,497**	**(2,829)**	**(12,164)**	**6,318**

7. Inventories

	2024 USD $000	**2023 USD $000**
Work in progress	237	294

8. Trade and other receivables

	2024 USD $000	2023 USD $000
Current		
Trade debtors	1,953	3,201
Contract asset	426	675
Other debtors	644	582
Research and development incentive	302	148
	3,325	**4,606**
Non current		
Contract asset	**412**	**504**

9. Intangible Assets

	Capitalisation of development costs **USD $000**	Engineering software **USD $000**	Total **USD $000**
Cost			
At 1 January 2023	27,357	749	28,106
Additions	2,650	93	2,743
At 31 December 2023	30,007	842	30,849
Additions	2,531	75	2,606
At 31 December 2024	32,538	917	33,455
Accumulated amortisation and impairment			
At 1 January 2023	20,506	536	21,042
Charge for the year	1,569	82	1,651
At 31 December 2023	22,075	618	22,693
Charge for the year	1,906	88	1,994
At 31 December 2024	23,981	706	24,687
Carrying amount			
At 31 December 2024	8,557	211	8,768
At 31 December 2023	7,932	224	8,156

10. Property, Plant and equipment

	Leasehold property	Furniture and equipment	Computer equipment	Total
	USD $000	**USD $000**	**USD $000**	**USD $000**
Cost				
At 1 January 2023	386	300	562	1,248
Additions	-	84	22	106
Disposal	-	(2)	-	(2)
Exchange differences	4	3	18	25
At 31 December 2023	390	385	602	1,377
Additions	-	43	48	91
Exchange differences	(36)	(14)	(27)	(77)
At 31 December 2024	354	414	623	1,391
Accumulated depreciation				
At 1 January 2023	109	177	418	704
Charge for the year	123	45	69	237
Disposal	-	(2)	-	(2)
Exchange differences	5	3	16	24
At 31 December 2023	237	223	503	963
Charge for the year	123	56	58	237
Exchange differences	(29)	(9)	(19)	(57)
At 31 December 2024	331	270	542	1,143
Carrying amount				
At 31 December 2024	23	144	81	248
At 31 December 2023	153	162	99	414

11. Trade and other payables

Current	**2024 USD $000**	**2023 USD $000**
Trade creditors	837	416
Directors’ payable	223	307
Accruals	479	537
Other taxes and social security costs	119	310
	1,658	1,570

12. Borrowings

	2024 USD $000	2023 USD $000
Current		
Borrowings at amortised cost **(Note a)**	197	-
Non-Current		
Borrowings at amortised cost **(Note b)**	2,443	2,425

a) Related party short term borrowings
Borrowing from directors. Key terms are as follows:
- Unsecured;
- 6% interest payable; and
- repayable on demand or at Etherstack's option.

b) Borrowings
Borrowings are a funding agreement which commenced on 29 June 2023. Key terms are as follows:
- Principal is USD 2,500;
- Unsecured;
- 6.5% interest payable quarterly in arrears;
- Maturity date is 29 June 2027;
- Associated option agreement allows the lender, at any time prior to maturity, to exercise the option for the issue of 6,491,228 fully paid ordinary Etherstack plc shares in full settlement of the debt; and
- Etherstack may repay the debt in full at any time prior to maturity on 30 days written notice to the lender.

13. Share capital

	2024 USD $000	2023 USD $000
Called up, allotted and fully paid 132,162,002 (2023: 131,907,002) ordinary shares of 0.4p	752	751

14. Dividends

There are no dividends paid or proposed in respect of the current period or the prior period.

15. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

16. Net tangible assets

	2024 USD cents	2023 USD cents
Net tangible assets per ordinary share	(2.3)	1.1

17. Details of entities over which control has been gained or lost

There are no entities over which control was gained or lost in the current period.

18. Details of associates and joint venture entities

Not applicable.

19. Accounting standards

The preliminary final report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with measurement and recognition (but not disclosure) requirements of International Financial Reporting Standards (IFRS).

As such, this preliminary final report does not include all the notes of the type included in an annual financial report.

20. Segment Reporting

The Group operates and reports as a single segment. The principal activities of the Group are design, development and deployment of wireless communications software, products and networks.

21. Contingent liabilities

There are no Contingent liabilities.

22. The report is based on accounts which are in the process of being audited.