



Crestal Petroleum Limited

ABN 35 144 733 595

to be renamed

FirstWave Cloud Technology Limited

Key Offer Statistics

An offer up to 40,000,000 Shares
at an Offer Price of \$0.20 per Share,
raising up to \$8,000,000 payable in
full on Application.

Lead Manager:  **Wentworth**
GLOBAL CAPITAL PARTNERS

Co-manager: **MOELIS & COMPANY**

Important Notices

Offers

The Offers contained in this Prospectus are an invitation to apply for fully paid ordinary shares in Crestal Petroleum Limited (**Crestal** or the **Company**) ("**Shares**"). This Prospectus is issued by the Company.

Lodgement, Listing and Expiry

This Prospectus is dated 4 April 2016 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on 4 April 2016 (**Prospectus Date**). Neither ASIC nor ASX, or their officers takes any responsibility for the contents of this Prospectus or the merits of the investment set out in this Prospectus. The Company disclaims all liability, whether in negligence or otherwise, to persons who trade the Shares prior to receiving their holding statement. This Prospectus expires on the date which is 13 months after the date of this Prospectus (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus later than the Expiry Date.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven (7) day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven (7) days. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Not financial advice

Investors should read this Prospectus in its entirety before deciding to invest in the Company. In particular, investors should refer to Sections 6 and 7 of this Prospectus for financial information relating to the Company and details of the risk factors that could affect the performance of the Company. There may be additional risk factors that should be considered by prospective investors in light of an investor's personal circumstances. The information in this Prospectus does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and particular needs of investors. The information in this Prospectus is not financial product advice and investors should consider the prospects of the Company in light of their individual objectives, circumstances and needs. Investors should seek professional advice from a stockbroker, solicitor, accountant or other independent financial adviser before deciding to invest in the Company. Neither Crestal nor any other person named in this Prospectus warrants or guarantees the successful performance of the Company, the repayment of capital, the payment of dividends, the price at which the Shares will trade on ASX or any return on investment made pursuant to this Prospectus.

No person is authorised to give any information, or to make any representation, in connection with the Offers described in this Prospectus, other than that which is contained in this Prospectus. Investors should rely only on information in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, Directors or any other person in connection with the Offers. This Prospectus includes information about past performance of the Company and investors should be aware that past performance should not be relied upon as being indicative of future performance.

Privacy

Applicants will be asked to provide personal information to the Company (directly or via its agents). See Section 10.10 of this Prospectus for information on how the Company and its agents collect, hold and use this personal information.

Forward looking statements

This Prospectus contains forward looking statements such as "may", "could", "believes", "estimates", "anticipates", "expects", "intends" and other similar words. The forward looking statements are based on an assessment of the present economic and operating conditions of the Company, as well as certain assumptions regarding future events and actions that are reasonably anticipated to occur as at the date of this Prospectus. Such statements and information should be read and considered in light of the risk factors set out in Section 7 of this Prospectus, the general assumptions and other information contained in this Prospectus. The forward looking statements are not guarantees of future performance of the Company and are premised on known risks, uncertainties, assumptions and other factors many of which are beyond the control of the Company. While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, neither the Company, nor any of the Subsidiaries give any assurance that the results, performance or achievements stated or implied in the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on the forward looking statements.

This Prospectus contains information based on industry forecasts, projections, management estimates and market data that has been obtained by the Company from third parties. The Company has not independently verified this information. There is no assurance that any outcomes predicated on such industry forecasts, projections and market data, to which this Prospectus refers, will be achieved. The Company makes no representation and expressly disclaims any liability as to the completeness or accuracy of such information or projections. Estimates, forecasts and projections involve risks and uncertainties and are subject to change based on various factors including those disclosed in the risk factors set out in Section 7.

Restrictions on distribution

The Offers are available to Australian residents located in Australia. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify the Securities or the Offers or to otherwise permit a public offering of Securities outside Australia. Persons who obtain this Prospectus in jurisdictions outside of Australia may be restricted by the laws of the relevant jurisdiction from making an Application for Securities and should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Securities in certain jurisdictions outside Australia, please refer to Section Restrictions on distribution. This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons. The Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Obtaining a copy of this Prospectus

An electronic version of this Prospectus (the **Electronic Prospectus**) can be downloaded from www.firstwave.com.au. Any person accessing the Electronic Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Electronic Prospectus from within Australia. Persons who access this Prospectus electronically should ensure they download and read the entire Prospectus, accompanied by the relevant Application Forms. The Shares to which the Electronic Prospectus relates will only be issued on receipt of a printed copy of the electronic Application Form together with a printed copy of the Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus. The Company will also send a copy of the paper Prospectus and paper Application Form free of charge to any person in Australia during the Offer Period.

Applications

An Application for Shares in the Company may only be made during the Offer Period on the Application Form attached to, or accompanying, this Prospectus in its paper form or in its electronic form which must be downloaded in its entirety from www.firstwave.com.au. Please refer to Section 3.6(b) of this Prospectus for instructions as to how to make an Application for Shares.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper copy or electronic version of this Prospectus. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Company reserves the right not to accept completed Application Forms if it has reason to believe that the Applicant has not received a complete copy of this Prospectus, and any relevant supplementary or replacement prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way. Cooling-off rights do not apply to an investment in Shares issued under this Prospectus.

Defined terms and abbreviations

Please refer to the Glossary section of this Prospectus for explanations of defined terms and abbreviations used in this Prospectus. Unless stated or otherwise implied, references to times in this Prospectus are to local Melbourne time. All financial amounts shown in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums and components in charts, graphics and tables contained in this Prospectus are due to rounding.

Images and diagrams

Unless otherwise indicated images in this Prospectus do not depict assets owned or used by Crestal unless specifically stated. An image of a person should not be interpreted to mean that person endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Enquiries

For further information in relation to the Equity Offer, please contact the Company Secretary on (02) 9409 7000 or refer to FirstWave's website at www.firstwave.com.au.

This Prospectus is important and should be read in its entirety.

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Important Information

Indicative timetable

| | |
|---|---------------|
| Prospectus lodgement date with ASIC | 4 April 2016 |
| Offers open | 11 April 2016 |
| General meeting | 15 April 2016 |
| Offers close | 19 April 2016 |
| Completion of Acquisition | 22 April 2016 |
| Issue and transfer of Shares under the Offers | 26 April 2016 |
| Despatch of holding statements | 2 May 2016 |
| Expected date for Shares to be reinstated to trading on ASX | 6 May 2016 |

Note: The above timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company reserves the right to vary any and all of the above dates and times without notice including, subject to the Corporations Act, to close the Offers early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases. The Company reserves the right to cancel or withdraw the Offers before Completion, in each case without notifying any recipient of this Prospectus or Applicants. If the Offers are cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Application Form as soon as possible after the Offers open.

The reinstatement and commencement of trading of the Shares are subject to confirmation from ASX.

Key Offer statistics

| Key Offer Statistics | Minimum Subscription | Maximum Subscription |
|--|----------------------|----------------------|
| Equity Offer | | |
| Equity Offer Price | \$0.20 per Share | \$0.20 per Share |
| Total number of Shares to be issued under the Equity Offer | 25,000,000 | 40,000,000 |
| Amount to be raised (before costs) | \$5,000,000 | \$8,000,000 |
| FirstWave Offer | | |
| Shares offered to the Vendors | 132,290,810 | 132,290,810 |
| General | | |
| Total number of Shares offered under the Equity Offer and the FirstWave Offer ¹ | 157,290,810 | 172,290,810 |
| Total number of Shares on issue immediately after Completion of the Offers | 164,786,485 | 179,786,485 |
| Total cash on completion of the Offers | \$5,290,000 | \$8,089,000 |
| Indicative market capitalisation ² | \$32,957,297 | \$35,957,297 |

How to invest

Applications for Shares under the Equity Offer can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in section 3.6(b) of this Prospectus.

1 – Following Completion of the Offers there will also be 10,621 Options on issue. Details of the Option terms are set out in Section 8.5.

2 – Calculated as the total number of Shares on issue immediately after Completion of the Offers multiplied by the Offer Price.

Chairman's Letter

Dear Investor,

On behalf of the Directors, I am pleased to present this Prospectus and to offer you the opportunity to invest in Crestal Petroleum Limited, to be renamed FirstWave Cloud Technology Limited. The Company has entered into the Share Sale Agreement to acquire 100% of the issued capital of FirstWave Technology Pty Ltd (ACN 098 940 544) (**FirstWave**).

Founded in 2001, FirstWave operates a technology business in the cloud security services sector of the burgeoning managed IT security services market:

- There is a shift occurring. Software, applications, storage & security are all moving to the cloud. Growth of next generation cloud services are experiencing exponential growth within existing traditional IT markets.
- The global SaaS market is forecast by Forrester to be US\$106B in 2016 growing 21%. Security is forecast to make up 15% of this market at US\$16B.
- Research firm TMR, forecasts the managed security services market to be \$11.4B growing 5.4% pa, however the cloud security sector is \$5.4B growing at 13% and will make up 59% of the market by 2018.
- IT professionals rate security as the top area for technology spending increases in 2015 (Computerworld) and IT executives rate security as the top network IT initiatives (Network World).

FirstWave is trusted by over 350 enterprise & government customers to secure their IT infrastructure from potential cyber threats. The company's proprietary technology was initially developed in partnership with Telstra Research Labs and is now integrated into Telstra's network.

Having built a solid reputation through our partnership with Telstra, FirstWave has validated the vision, the technology and provided the foundation for the commercial roll out of its next generation cloud security services. The FirstWave Cloud Content Security Gateway (CCSG) is the company's latest offering. It is a fully virtualized telco grade solution specifically designed for the multi-tenanted requirements of telcos and cloud service providers.

FirstWave has roll out plans across Asia Pacific. The first instance of the FirstWave CCSG will be deployed in Telstra's cloud infrastructure in March 2016. Telco & cloud service provider customers will soon benefit from the resilience and scalability of FirstWave's next generation cloud security services.

This Prospectus has been issued by the Company for a public offering of up to 40,000,000 Shares at an issue price of \$0.20 each to raise up to \$8,000,000. The funds raised will be used for business development and the expansion of FirstWave's sales and marketing team, payments associated with continued revenue generating activities. Refer to section **3.4** for further details on the use of funds.

In addition to the purpose of raising funds under the Equity Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the ASX Listing Rules following a change to the nature and scale of the Company's activities from a mineral exploration, development and mining company to a cloud security services business.

This Prospectus also contains an offer of 132,290,810 Shares to the Vendors (or their nominees) in consideration for the acquisition of all the issued capital in FirstWave. Refer to section 3.7 of this Prospectus for more information in respect of the FirstWave Offer.

This Prospectus includes details of the Offers, the Company and FirstWave, including the assets and proposed operations, together with a statement of the risks associated with investing in the Company. I recommend that you read this document carefully and seek independent professional advice before investing in the Company.

On behalf of the Directors, I recommend this offer to you and look forward to welcoming you as a shareholder of the Company.

Yours sincerely,

Drew Kelton
Chairman

Investment Overview



1

1. Investment Overview

1.1 Introduction

| Topic | Summary | For more information |
|---|--|--|
| Who is the issuer of this Prospectus? | Crestal Petroleum Limited (ACN 144 733 595) (" Company " or " Crestal ") (to be renamed "FirstWave Cloud Technology Limited"). | Section 4 |
| Who is the Company and what does it do? | Crestal was incorporated on 21 June 2010 and has been listed on ASX since 11 May 2011. Crestal has historically been involved in mineral exploration and development activities. In light of difficult market conditions for this sector in Australia, Crestal has been evaluating high quality and value adding investment opportunities outside the mining and resources industry. | Section 4 contains a company overview of Crestal. |
| What is the Company's strategy? | <p>The Company is proposing to acquire 100% of the issued capital of FirstWave, which is an established and fast growing Australian company in the rapidly emerging cloud security technology sector. FirstWave operates a business and has a headcount of 38 nationwide and had annual revenue of \$4.7 million in FY2015.</p> <p>As part of the Acquisition, Crestal will undergo a significant change in the nature and scale of its business. Following the completion of the Acquisition, Crestal will focus on growing the FirstWave business.</p> | Section 4 contains company overview of FirstWave. |
| What is the Equity Offer? | The Company is offering a minimum of 25,000,000 Shares and up to 40,000,000 Shares at the Offer Price of \$0.20 per Share to raise between \$5,000,000 and \$8,000,000. The Equity Offer is not underwritten. | Section 3.1 |
| What is the FirstWave Offer? | The Company is offering 132,290,810 Shares to the Vendors in consideration for the acquisition of all the shares in FirstWave. | Section 3.1 |
| Why is the Public Offer being conducted? | <p>The Offers are structured as follows:</p> <ul style="list-style-type: none"> • Equity Offer to raise a minimum of \$5,000,000 and a maximum of \$8,000,000 through the issue of 25,000,000 to 40,000,000 Shares, respectively at \$0.20 per Share. The Equity Offer is comprised: <ul style="list-style-type: none"> • an institutional offer which will consist of an invitation to select institutional investors in Australia to subscribe for Shares (Institutional Offer); and • a Broker Firm Offer which will be open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker (Broker Firm Offer); and • FirstWave Offer of Shares in Crestal to Vendors in as consideration for their shares in FirstWave, pursuant to the terms of the Share Sale Agreement. | Section 3.1 |

| | | |
|---|---|---|
| Why is the Equity Offer being conducted? | <p>The purposes of the Equity Offer is to:</p> <ul style="list-style-type: none"> • meet the requirement that the Company re-complies with the ASX's admission requirements in accordance with Chapters 1 and 2 of the Listing Rules; • provide funding for the continued development of FirstWave's business model, strategy and to continue commercialising FirstWave's proprietary technology; • attract and retain management with global cloud expertise and experience; and • and create a market for investors, employees and other parties to participate in the growth of the company. | <p>Section 3 contains details of the Offers.</p> <p>Section 4 outlines Crestal's growth strategy.</p> |
|---|---|---|

1.2 The Acquisition of FirstWave

| | | |
|---|---|---------------------|
| What is the Acquisition? | The Acquisition is the Company's proposed acquisition of 100% of the issued capital of FirstWave pursuant to the Share Sale Agreement and the FirstWave Offer. | Section 10.6 |
| What are the key terms of the Acquisition? | <p>The key terms of the Acquisition are as follows</p> <ul style="list-style-type: none"> (a) as consideration for the acquisition of 100% of the issued capital of FirstWave, the Company will issue to the Vendors 132,290,810 Shares (Consideration Shares); (b) the Acquisition is conditional upon, and subject to, satisfaction or waiver of conditions including: <ul style="list-style-type: none"> i) Shareholder approval of the Acquisition Resolutions at the General Meeting; ii) the Company receiving Equity Offer Application Forms and funds for an amount equal to the Minimum Subscription; and iii) the Company obtaining conditional approval which does not contain any unusual or uncustomary conditions from ASX to lift the suspension of trading on shares of the Company (subject to completion of the Offers) and for the Company's ordinary Shares to be reinstated to quotation on ASX; and (c) the Vendors have acknowledged that some or all of the Consideration Shares may be escrowed in accordance with the requirements of ASX and have agreed to sign such form of escrow agreement as required by the ASX. (Refer to Section 3.11 in respect of escrow arrangements (if any) for the parties specified above). | Section 10.6 |

What approvals are being sought at the General Meeting?

At the General Meeting to be held on 15 April 2016, the Company will seek Shareholder approval for, amongst other things, the following Acquisition Resolutions:

Section 3.7

- (a) the change in nature and scale of the activities of the Company as a result of the Acquisition;
- (b) the issue of the Consideration Shares to the Vendors (and/or their nominees);
- (c) the Equity Offer under this Prospectus;
- (d) the change of the Company's name to "FirstWave Cloud Technology Limited";
- (e) the re-election of the New Directors to the Board; and
- (f) the grant of Director Options to the New Directors.

Why is the Company required to re-comply with Chapters 1 and 2 of the Listing Rules?

At the Company's General Meeting, the Company will seek Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

Section 2.3

The Company's Shares are suspended and will not be reinstated until the Company has satisfied the Conditions of the Equity Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotation on the ASX. In the event the Conditions of the Equity Offer are not satisfied or the Company does not receive conditional approval for re-quotation on ASX then the Company will not proceed with the Equity Offer and will repay all Application Monies received (without interest).

1.3 FirstWave and FirstWave's business model

| | | |
|---|---|--|
| Who is FirstWave? | <p>FirstWave is an established and fast growing Australian company in the rapidly emerging cloud security technology sector. The company has researched and developed key proprietary technology in Cloud Content Security Gateways and cloud analytics. It also resells selected third party cloud security offerings as dedicated or hybrid solutions.</p> <p>Its cloud security solutions, associated cloud transformation services, attached work packages and ongoing support services coupled with a contractual arrangement with the world's largest security company and Australia's largest Telecommunications provider, Telstra to provide an exciting platform for growth.</p> <p>FirstWave has established long term relationships and delivers cloud security services to over 350 customers, including some of the largest brands in Australia either through these partnerships or directly.</p> | Section 4 |
| How does FirstWave generate its revenue? | <p>FirstWave generates "managed security services" delivered as Cloud based offerings. These include Cloud Secure Email Gateway ("SEG") Cloud Secure WEB gateway ("SWG") and Cloud Secure Next Generation Firewalls ("SNGFW").</p> <p>These solutions offer a combination of proprietary technology, integrated with security technology components from some of the world's largest vendors and coupled with expert cloud transformation services and ongoing support services.</p> <p>These solutions can be provided in a number of deployment models and are typically delivered under long term contracts.</p> <p>These solutions provide immediate gains to enterprise through lifecycle cost savings and provide immediate opportunity to telecommunications and services providers to develop new revenue streams in a rapidly growing market segment.</p> | Section 4 contains details on FirstWave and its business operations |

What are FirstWave's key growth strategies?

FirstWave's key growth strategies are built on the following:

- further developing its cloud security footprint by expanding its channels and partnerships based on its proprietary technology CCSG and licensing technology;
- building strong partnerships with key security vendors to expand its gateway footprint;
- invest in product development to enhance the gateway offerings to increase revenue opportunities and build broader relationships with downstream enterprise and government organisations;
- geographic expansion into international markets; and
- building rich domain expertise integrated service offerings to capitalise on movement to the cloud.

Section 4
contains details
on FirstWave's
growth strategy

1.4 Key Risks

Reliance on Telstra Contract

Under a Product and Services Agreement with Telstra (the "Telstra PSA"), FirstWave provides its technology platform and services to Telstra which then provides the platform and services to its own corporate and government customers under a reseller arrangement. The majority of FirstWave's revenue is generated through the supply of services to end customers under the Telstra PSA.

Early termination or non-renewal of the Telstra PSA will have a material adverse effect on FirstWave's prospects and future financial performance, including a decline in projected revenue streams. Telstra may terminate the Telstra PSA (in whole or in part) for reasons including Telstra's convenience, material breach of the agreement by FirstWave, or FirstWave's failure to perform under certain service levels.

If FirstWave fails to perform its services to the required standard, there is a risk it may be exposed to significant financial liability in addition to possible termination of contract. This may occur where a "catastrophic" failure across the FirstWave platform occurs. Additionally, breach of certain intellectual property obligations, or FirstWave's privacy, data security and confidentiality obligations, (such as a major data breach or loss of customer information) may result in significant financial exposure to FirstWave extending beyond the entire contract value, as well as the possibility of termination of the Telstra PSA in whole or in part.

Section 7

Reliance on key software licences

The FirstWave products and services rely on the continued presence of the functionality delivered under software licence agreements with various suppliers (**Software Licences**).

In the event of termination or non-renewal of these Software Licences, FirstWave would likely incur significant costs in replacing the relevant software packages, and a failure to provide a suitable alternative could result in breaches of warranties, possible indemnity claims or termination of customer agreements or the Telstra PSA, in whole or in part.

Section 7

| | | |
|---|--|------------------|
| Concentration of FirstWave's clients | <p>FirstWave has a number of key strategic relationships with channel partners (telecommunication companies) and security vendors. These relationships underpin FirstWave's business model and market strategy. FirstWave delivers most of its services under one contract with one of Australia's pre-eminent telecommunications company.</p> <p>There is a risk that this partner's change in strategy, a breakdown of the relationship, or FirstWave's failure to deliver the required partner outcomes may affect FirstWave's financial performance.</p> | Section 7 |
| Loss of clients | <p>FirstWave's primary source of revenue comes from parties who are in contractual relationships with FirstWave including Telstra. This relationship underpins FirstWave's primary source of revenue and is subject to strict terms and conditions. Termination of this arrangement for whatever reason would have a major impact on projected revenue growth and would lead to a slow decline in the annuity revenue streams of FirstWave.</p> | Section 7 |
| Funding for growth | <p>FirstWave's long term business strategy envisages geographic (Asia Pacific) and channel expansion. This will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves, funds raised by the Equity Offer and funds generated over time by FirstWave's business will be sufficient to successfully achieve all the objectives of the Company's business strategy.</p> <p>FirstWave is competing in a rapidly growing market in competition and partnership with a number of major security vendors and telecommunication partners. This environment can change rapidly and further funding may be required by the Company to accelerate the development roadmap or meet unforeseen challenges. Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. If those funds are not available, the Company may not have sufficient capital resources to meet the unfolding challenges or capitalise on opportunities.</p> | Section 7 |
| Market disruption | <p>FirstWave operates in the rapidly growing cloud security market sector. This emerging market sector has been significantly affected by cloud technology disruption and is attracting the interest from most large security vendors. Typically, overseas based players in high growth "hot" Information and Communications Technology sectors have access to large amount of funding at better terms than their Australian based equivalents. As a result, these organisations may "out gun" Australian based developers and marketers such as FirstWave.</p> | Section 7 |
| Competitive risks within Telstra | <p>Telstra supplies multiple solutions and there is a risk that the services provided by FirstWave may be replaced by other offerings. This would have a significant impact on the Company's long term business plans and financial performance.</p> | Section 7 |
| Other important risks | <p>A number of other important risks are set out and explained in Section 7.</p> | Section 7 |

1.5 Overview of the offers

| What is the Equity Offer? | <p>The Company is offering a minimum of 25,000,000 Shares and up to 40,000,000 Shares at the Offer Price of \$0.20 per Share to raise between \$5,000,000 and \$8,000,000 (before the costs of the Offers).</p> <p>The Shares under the Equity Offer will represent approximately:</p> <ul style="list-style-type: none">• where the Company raises \$5,000,000 – 15.2%; or• where the Company raises \$8,000,000 – 22.2%, <p>immediately following Completion of the Offers. Where the Company raises an amount which is between \$5,000,000 and \$8,000,000, the number of Shares to be issued, and hence the percentage interest that those Shares represent, will vary accordingly.</p> <p>Each Share will rank equally with Shares already on issue. A summary of the rights attaching to the Shares is set out in section 10.3.</p> <p>The Equity Offer is not underwritten.</p> | Sections 3.1 and 3.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|---------------------|-------------|-------|-------------|-------|-------------------------------|-----------|-----|-------------|-------|--|-------------|-------|-------------|-------|--|-----------|-------|-----------|-------|-----------------|-------------|-------|-------------|-------|-------|-------------|------|-------------|------|---------------------|
| What is the FirstWave Offer? | <p>The Company is offering 132,290,810 Shares to the Vendors in consideration for the acquisition of all the shares in FirstWave.</p> | Sections 3.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What is the proposed use of funds raised under the Equity Offer? | <p>The funds received under the Equity Offer, together with the existing cash reserved of the Company being \$850,000, will be used as follows:</p> <table><tr><th>Allocation of funds</th><th>Min. Subscription</th><th>% of funds (min subscription)</th><th>Max. Subscription</th><th>% of funds (max subscription)</th></tr><tr><td>Sales and Marketing</td><td>\$1,312,219</td><td>22.4%</td><td>\$2,151,829</td><td>24.3%</td></tr><tr><td>Product & systems development</td><td>\$874,813</td><td>15%</td><td>\$1,434,553</td><td>16.2%</td></tr><tr><td>Market expansion – Australia and international</td><td>\$1,399,700</td><td>23.9%</td><td>\$2,295,284</td><td>25.9%</td></tr><tr><td>Expenses associated with the Acquisition</td><td>\$752,936</td><td>12.9%</td><td>\$954,236</td><td>10.8%</td></tr><tr><td>Working capital</td><td>\$1,510,331</td><td>25.8%</td><td>\$2,014,097</td><td>22.8%</td></tr><tr><td>TOTAL</td><td>\$5,850,000</td><td>100%</td><td>\$8,850,000</td><td>100%</td></tr></table> | Allocation of funds | Min. Subscription | % of funds (min subscription) | Max. Subscription | % of funds (max subscription) | Sales and Marketing | \$1,312,219 | 22.4% | \$2,151,829 | 24.3% | Product & systems development | \$874,813 | 15% | \$1,434,553 | 16.2% | Market expansion – Australia and international | \$1,399,700 | 23.9% | \$2,295,284 | 25.9% | Expenses associated with the Acquisition | \$752,936 | 12.9% | \$954,236 | 10.8% | Working capital | \$1,510,331 | 25.8% | \$2,014,097 | 22.8% | TOTAL | \$5,850,000 | 100% | \$8,850,000 | 100% | Sections 3.4 |
| Allocation of funds | Min. Subscription | % of funds (min subscription) | Max. Subscription | % of funds (max subscription) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales and Marketing | \$1,312,219 | 22.4% | \$2,151,829 | 24.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Product & systems development | \$874,813 | 15% | \$1,434,553 | 16.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Market expansion – Australia and international | \$1,399,700 | 23.9% | \$2,295,284 | 25.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expenses associated with the Acquisition | \$752,936 | 12.9% | \$954,236 | 10.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Working capital | \$1,510,331 | 25.8% | \$2,014,097 | 22.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | \$5,850,000 | 100% | \$8,850,000 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|---|--|--------------------------------|
| Are the Offers subject to conditions? | <p>Yes. The Equity Offer is conditional upon satisfaction of the Conditions of the Equity Offer which include:</p> <ul style="list-style-type: none"> • the Company receiving Equity Offer Application Forms and funds for an amount equal to the Minimum Subscription; • Shareholders approving the Acquisition Resolutions at the General Meeting; • Completion of the Acquisition; and • the Company receiving written conditional approval from ASX which does not contain any unusual or uncustomary conditions (subject only to the imposition of conditions usual to such approval) to lift the suspension of trading on the Shares of the Company and for the Company's ordinary shares to be reinstated to quotation on ASX. <p>If any of the Conditions of the Equity Offer are not satisfied then the Company will not proceed with the Equity Offer and the Company will refund all Application Monies received. If the Company does not proceed with the Equity Offer, it will not proceed with the FirstWave Offer.</p> <p>A summary of the conditions to the FirstWave Offer (and the Acquisition) are outlined above at Section 1.2.</p> | Section 3.6 and 10.6(a) |
| What are the rights and liabilities attaching to the Shares being offered? | <p>All Shares issued under the Equity Offer, the FirstWave Offer will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in section 10.3.</p> | Section 10.3 |
| What are the terms and conditions attaching to the Options? | <p>Crestal Options</p> <p>As at the date of the Prospectus, there are 10,621 Crestal Options on issue. The terms and conditions attaching to these options are summarised in the Appendix 3B lodged by the Company with ASX on 15 December 2015 and in the Company's ASX announcements.</p> <p>Director Options</p> <p>Subject to receipt of shareholder approval at the General Meeting, each of the New Directors of the Company will receive Director Options as part of their remuneration packages at Completion. The total number of Director Options to be received by the Directors is 13,800,000. Each of the Directors Options have different vesting dates and exercise prices, all of which are summarised in the Notice of General Meeting issued by the Company on 14 March 2016.</p> | Sections 10.4 and 8.5 |
| Is the Equity Offer underwritten? | <p>No. The Equity Offer is not underwritten.</p> | Section 3.3 |

| | | |
|--|--|---------------------|
| What are the tax implications of investing in the Shares? | You may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. | Section 10.7 |
| What is the Company's dividend policy? | <p>The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves to grow and develop FirstWave's business.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.</p> | Sections 3.8 |
| How do I apply for Shares under the Equity Offer? | <p>Eligible investors may apply for Shares under the Equity Offer by completing an Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an Application by an Applicant under the Equity Offer is irrevocable.</p> | Section 3.6 |
| How do I apply for Shares under the FirstWave Offer? | <p>The FirstWave Offer is an offer to the Vendors and their nominees only.</p> <p>Only the Vendors or their nominees may accept the FirstWave Offer. A personalised FirstWave Offer Application Form will be issued to each Vendor or their nominees together with a copy of this Prospectus. The Company will only provide the FirstWave Offer Application Forms to the persons entitled to participate in the FirstWave Offer.</p> | Section 3.7 |
| Can the Offers be withdrawn? | <p>The Equity Offer is subject to the Conditions of the Equity Offer and the Company reserves the right not to proceed with the Offers at any time before the issue of Shares to Successful Applicants.</p> <p>If the Equity Offer does not proceed, the FirstWave Offer will not proceed and the Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p> | Section 3.10 |
| What can I do if I have questions about the Offer? | <ul style="list-style-type: none"> • If you have any queries in relation to the Equity Offer further information can be obtained by <ul style="list-style-type: none"> o calling the Company Secretary on (02) 9409 7000 from 8.30am until 5.30pm (Melbourne time), Monday to Friday; or o visiting FirstWave's website at www.firstwave.com.au. • If you are unclear in relation to any matter or are uncertain as to whether Crestal is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest. | Section 3.6 |

1.6 Directors and Management

| | | |
|---|--|--------------------|
| Who are the Directors of the Company? | <p>The existing Directors of the Company are:</p> <ul style="list-style-type: none"> • Drew Kelton – Non-Executive Chairman • Steve O'Brien – Managing Director • Scott Lidgett – Non-Executive Director • Edward Keating – Non-Executive Director • David Garnier – Non-Executive Director • Paul MacRae – Non-Executive Director • David Nolan – Non-Executive Director • Richard Willson – Non-Executive Director • Andrew Phillips – Non-Executive Director <p>On Completion of the Acquisition and the Offers, changes will be made to the Board, with the resignation of David Nolan and Richard Willson. Andrew Phillips is due to resign at the end of the General Meeting on 15 April 2016.</p> <p>Refer to section 8.1 for details of the relevant experience and expertise of the Directors.</p> | Section 8.1 |
| Who are the key management personnel of the Company? | <p>Following Completion of the Acquisition, the key management personnel will include:</p> <ul style="list-style-type: none"> • Managing Director – Steve O'Brien • Chief Financial Officer – Murray Scott • Chief Technology Officer – Simon Ryan • Sales Director – Andrew Chamberlain • Portfolio Marketing Director – Roger Carvosso • Services Director – John-Paul Burgess • Telstra Client Executive – Greg Maren | Section 8.2 |

1.7 Significant interests of key people and related party transactions

Who holds significant interests in the Company and FirstWave and what will be their interests in the Company at Completion?

Section 8.3

| | Shares pre-Offer | % pre-Offer | Shares (sold/ issued/ acquired) | Shares held imme- diately post-Offer | % Shares post offer (minimum subscription) | % Shares post offer (max. sub- scription) |
|---|---------------------|-------------|--|---|---|--|
| Existing Shareholders | 7,495,675 | 100% | NIL | 7,495,675 | 4.5% | 4.2% |
| New Shareholders from the Equity Offer (minimum subscription) | NIL | NIL | 25,000,000 | 25,000,000 | 15.2% | N/A |
| New Shareholders from the Equity Offer (maximum subscription) | NIL | NIL | 40,000,000 | 40,000,000 | N/A | 22.2% |
| Vendors | NIL | NIL% | 132,290,810 | 132,290,810 | 80.3% | 73.6% |
| Total (minimum subscription) | | 100% | 164,786,485 | 164,786,485 | 100% | N/A |
| Total (maximum subscription) | | 100% | 179,786,485 | 179,786,485 | N/A | 100% |
| Directors and management | NIL | NIL | 67,993,925 | 67,993,925 | 41.3% | 37.8% |

Refer to section 3.11 in respect of escrow arrangements (if any) for the parties specified above.

What significant benefits are payable to the Directors and other persons connected with the Company or the Offers and what significant interests do they hold?

Section 8.3

Under the Constitution, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The aggregate amount of Directors' fees as at the date of this Prospectus is \$343,500, noting that \$31,500 of this amount will no longer be payable following Completion upon the resignation of Andrew Phillips and Richard Willson and that payment of the remaining \$312,000 is subject to shareholder approval being obtained at the General Meeting to increase the director fee pool to \$400,000. The total director fees payable are as follows:

Director Remuneration

| | |
|-----------------|-------------|
| Drew Kelton | \$120,000 |
| Steve Obrien | Nil* |
| Scott Lidgett | \$48,000 |
| Paul MacRae | \$48,000 |
| David Garnier | \$48,000 |
| Ted Keating | \$48,000 |
| David Nolan | Nil** |
| Richard Willson | \$15,000*** |
| Andrew Phillips | \$16,500*** |

*Steve O'Brien is remunerated with Director Options (the terms of which are summarised in Section 8.5) and separately as Managing Director (refer to Section 8.6(a))

**David Nolan is a partner at Kemp Strang Lawyers. Kemp Strang Lawyers acted as legal adviser to the Company prior to the Company's execution of the Share Sale Agreement.

*** This is a fixed fee arrangement for the period of Andrew and Richard's directorships with the Company. Richard Willson also received 142,858 Shares in the Company as part of his remuneration.

On Completion, the New Directors will receive 13,800,000 Director Options to subscribe for Shares in the Company. A summary of the option terms is set out below at section 8.5. The Directors may also be paid such additional or special remuneration as the Board decides is appropriate where a Director performs extra services or makes special exertions for the benefit of the Company.

It is noted that Mr David Nolan is a partner at Kemp Strang Lawyers. Kemp Strang Lawyers acted as legal advisers to the Company prior to the Company's execution of the Share Sale Agreement.

Directors' interests in Shares and other securities

The Directors' interests in Shares upon Completion are set out below:

| Director | Shares held on Completion | Director Options held on Completion |
|-----------------|----------------------------------|--|
| Drew Kelton | 390,625 | 4,200,000 |
| Steve Obrien | 156,250 | 4,800,000 |
| Scott Lidgett | 19,654,847 | 1,200,000 |
| Paul MacRae | 1,634,888 | 1,200,000 |
| David Garnier | 1,449,430 | 1,200,000 |
| Ted Keating | 6,639,174 | 1,200,000 |
| David Nolan | 162,890 | Nil |
| Richard Willson | 142,858 | Nil |
| Andrew Phillips | Nil | Nil |

* Some of the Shares held by Drew Kelton, Steve O'Brien, Scott Lidgett, Paul MacRae, David Garnier and Ted Keating and their associates will be issued under the Share Sale Agreement in consideration for the Company's acquisition of the shares that they and their associates hold in FirstWave. A summary of the Share Sale Agreement is set out in Section 10.6(a). The Directors are entitled to apply for Shares under the Equity Offer.

1.8 Miscellaneous

| | | | | | |
|---|--|--------------------------------|--------------------------------------|--|--|
| What material contracts are the Company and FirstWave a party to? | <p>The material contracts of the Company and FirstWave comprise:</p> <p>(a) Share Sale Agreement;</p> <p>(b) Telstra Products and Services Agreement; and</p> <p>(c) Mandates with Wentworth.</p> | | | | Section 10.6 |
| What is the financial position of the Company and FirstWave post completion of the Offers and the Acquisition? | <p>The Company is currently listed on ASX.</p> <p>The financial history of FirstWave, including its audited 2015 Annual Report, is available on its website at www.firstwave.com.au.</p> <p>FirstWave's historical operations have focused on the cloud services market. Since 2001 when FirstWave began, it has experienced rapid revenue growth from its on-line performance marketing business, but has incurred significant costs in doing so and is currently loss making.</p> <p>The table below sets out the reviewed consolidated historical statement of financial position, the pro forma transactions that have been made and the pro forma statement of financial position as at 31 December 2015. The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of CRX's view of its future financial position.</p> | | | | Section 6 and 9 |
| | As at 31 December 2015 | CRX Reviewed \$'000 | FirstWave Reviewed \$'000 | Pro Forma Reviewed Minimum \$'000 | Pro Forma Reviewed Maximum \$'000 |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 114 | 1,093 | 5,290 | 8,089 | |
| Trade and other receivables | 40 | 1,335 | 1,556 | 1,556 | |
| Work in progress | - | 617 | 617 | 617 | |
| Other current assets | 60 | 430 | 430 | 430 | |
| TOTAL CURRENT ASSETS | 214 | 3,475 | 7,893 | 10,692 | |
| NON CURRENT ASSETS | | | | | |
| Property, plant and equipment | - | 185 | 185 | 185 | |
| Intangible assets | - | 1,894 | 1,894 | 1,894 | |
| Other non current assets | - | 466 | 466 | 466 | |
| Deferred tax assets | - | 466 | 466 | 466 | |
| TOTAL NON CURRENT ASSETS | - | 3,011 | 3,011 | 3,011 | |
| TOTAL ASSETS | 214 | 6,486 | 10,904 | 13,703 | |

LIABILITIES**CURRENT LIABILITIES**

| | | | | |
|----------------------------------|------------|--------------|--------------|--------------|
| Trade and other payables | 462 | 1,386 | 1,379 | 1,282 |
| Borrowings | - | 153 | 153 | 153 |
| Employee provisions | - | 344 | 344 | 344 |
| Unearned revenue | - | 644 | 644 | 644 |
| TOTAL CURRENT LIABILITIES | 462 | 2,527 | 2,520 | 2,423 |

NON CURRENT LIABILITIES

| | | | | |
|------------------------------------|----------|--------------|--------------|--------------|
| Borrowings | - | 872 | 225 | 225 |
| Employee provisions | - | 63 | 63 | 63 |
| Unearned revenue | - | 881 | 881 | 881 |
| Deferred tax liabilities | - | 448 | 448 | 448 |
| TOTAL LONG TERM LIABILITIES | - | 2,264 | 1,617 | 1,617 |

| | | | | |
|--------------------------|------------|--------------|--------------|--------------|
| TOTAL LIABILITIES | 462 | 4,791 | 4,137 | 4,040 |
|--------------------------|------------|--------------|--------------|--------------|

| | | | | |
|-------------------|--------------|--------------|--------------|--------------|
| NET ASSETS | (248) | 1,695 | 6,767 | 9,663 |
|-------------------|--------------|--------------|--------------|--------------|

The historical statutory consolidated statement of financial position has been extracted from the reviewed financial statements of CRX and FirstWave for HY2016. The pro forma statement of financial position as at 31 December 2015 reflects pro forma transactions, the application of the funds from the Offers less the costs associated with the Offers as set out in Section 6.7.

Further financial information regarding the Company and FirstWave is set out in Section 6 of this Prospectus and considered in the Independent Limited Assurance Report in Section 9.

Will any of the Shares be subject to escrow?

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX, certain Shares in the Company may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of reinstatement.

The Vendors have acknowledged that some or all of the Consideration Shares may be escrowed in accordance with the requirements of ASX and will sign such form of escrow agreement as required by the ASX. The Vendors will also procure that the other parties who may receive Shares in connection with the Acquisition will execute such form of escrow agreement as required by the ASX.

No Shares issued under the Equity Offer are expected to be subject to escrow.

Refer to section 3.11 for further details of the escrow arrangements.

Acquisition Overview



2

2. Acquisition Overview

2.1 Acquisition of FirstWave

On 25 February 2016, Crestal announced its intention to acquire the unlisted Australian company, FirstWave. Details of FirstWave's business operations and financial position are provided in Sections 4 and 6.

Crestal and the shareholders of FirstWave have entered into a binding conditional share sale agreement pursuant to which Crestal proposes to acquire 100% of the issued share capital of FirstWave (**Share Sale Agreement**) in consideration for the issue of 132,290,810 Shares.

The Acquisition is subject to, among other things:

- Crestal obtaining all necessary shareholder approvals under the ASX Listing Rules (including any approvals required under Chapters 7, 10 and 11 of the ASX Listing Rules) and the Corporations Act, as applicable, to complete the Acquisition;
- Crestal receiving Application Forms and funds of at least \$5 million to complete the Equity Offer under this Prospectus; and
- Crestal having received written conditional approval which does not contain any unusual or unc customary conditions (subject only to the imposition of conditions usual to such approvals) from ASX to lift the suspension of trading on shares of the Company (subject to completion of the Offers) and for its ordinary shares to be reinstated to quotation on ASX.

It is proposed that Crestal will change its name to **FirstWave Cloud Technology Limited** following the successful completion of the Acquisition.

2.2 Shareholder approval required to implement the Acquisition

Crestal has convened a General Meeting on 15 April 2016 for the purpose of seeking the approval from its Shareholders to a number of resolutions required to implement the Acquisition. It is a condition to completion of the Equity Offer under this Prospectus, as well as the Acquisition, that each of the following resolutions are approved by Shareholders before the close of the Acquisition:

- the change in the nature and scale of activities of the Company to the focus of cloud security managed services;
- the issue and allotment of 132,290,810 Shares to the Vendors pursuant to the Share Sale Agreement;
- the issue of a minimum of 25,000,000 and a maximum of 40,000,000 Shares at an Offer Price of \$0.20 per Share pursuant to the Equity Offer;
- the re-election of the following individuals as Directors of the Company: Drew Kelton, Scott Lidgett, Edward Keating, Steve O'Brien, Paul MacRae and David Garnier;
- the adoption of the Incentive Plan;
- the grant of 13,800,000 Director Options to Drew Kelton, Scott Lidgett, Edward Keating, Steve O'Brien, Paul MacRae and David Garnier;
- the change of the Company's name to "**FirstWave Cloud Technology Limited**"; and
- approval for the Company to increase its Non-Executive director fee pool to \$400,000,

(each, an "**Acquisition Resolution**" and collectively the "**Acquisition Resolutions**").

If any of the Acquisition Resolutions are not approved by Shareholders, all of the resolutions and the Acquisition (including the Offers under this Prospectus) will not proceed and all Application Monies will be refunded.

2.3 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

Given that Crestal has historically been operated as a mineral exploration company, the acquisition of FirstWave, if successfully completed, will represent a significant change in the nature and scale of FirstWave's operations to a cloud security managed services company. ASX has indicated that this change in the nature and scale of Crestal's activities will require:

- the approval of Crestal's shareholders; and
- the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotation on the ASX. In the event the Conditions of the Equity Offer are not satisfied or the Company does not receive conditional approval for re-quotation on ASX then Crestal will not proceed with the Equity Offer and will repay all application monies received by it in connection with this Prospectus (without interest). If the Equity Offer does not proceed, the FirstWave Offer will not proceed.

A stylized illustration featuring the silhouettes of two men in business suits shaking hands. The background is a vibrant blue and red gradient, overlaid with various financial and technological motifs. On the left, there's a large, glowing green upward-pointing arrow. To its right, a white line graph shows a fluctuating trend. Scattered throughout are numerous numerical values, some resembling stock prices or exchange rates (e.g., 86.580, 57.030, 5.7540). At the bottom, horizontal bands of binary code (0s and 1s) are visible. The entire scene is framed by a thick, irregular white border, giving it the appearance of a torn piece of paper or a sticker.

3

3. Details of the Offer

3.1 Structure of the Offer

Pursuant to this Prospectus, the Offers are structured as follows:

- Equity Offer to raise a minimum of \$5,000,000 and a maximum of \$8,000,000 through the issue of 25,000,000 to 40,000,000 Shares, respectively at \$0.20 per Share. The Equity Offer is comprised:
 - o an Institutional Offer which will consist of an invitation to select institutional investors in Australia to subscribe for Shares (**Institutional Offer**); and
 - o a Broker Firm Offer which will be open to Australian resident retail clients of the Brokers who have received a firm allocation from their Broker (**Broker Firm Offer**); and
- **FirstWave Offer** to holders of shares in FirstWave as consideration for their Acquisition of all of the shares in FirstWave by Crestal, pursuant to the terms of the Share Sale Agreement (collectively, the **Offers**).

The allocation of Shares under the Equity Offer will be determined at the sole discretion of the Company in consultation with the Co-Managers. All Shares issued under this Prospectus will be fully paid and will rank equally with all other Shares then currently on issue. The Equity Offer is conditional upon the Conditions of the Equity Offer, which are detailed below at Section 3.6.

3.2 Purpose of the Offers and the Prospectus

The Equity Offer under this Prospectus is being conducted to raise funds for the expansion of FirstWave's business operations through the enhancement of its marketing efforts, expansion of its work force and through the execution of FirstWave's growth strategy.

Crestal intends to apply the funds raised under the Equity Offer in the manner detailed in the section 3.4 below. The Board believes that the funds raised from the Equity Offer, combined with existing funds, will provide the Company with sufficient working capital at anticipated expenditure levels to achieve the objectives shown in the table below. This Prospectus has also been issued to assist the Company meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing rules.

3.3 Underwritten

The Equity Offer is not underwritten.

3.4 Underwritten

Crestal intends to apply funds raised from the Equity Offer, together with existing cash reserves, as follows:

| | Minimum Subscription | Maximum Subscription |
|---|----------------------|----------------------|
| Sources of Funds | | |
| Estimated Crestal cash balance post Acquisition | \$850,000 | \$850,000 |
| Equity raising amount | \$5,000,000 | \$8,000,000 |
| Total funds available | \$5,850,000 | \$8,850,000 |
| Uses of Funds | | |
| Sales and marketing activities | \$1,312,219 | \$2,151,829 |
| Product and systems development | \$874,813 | \$1,434,553 |
| Market expansion – Australia and International | \$1,399,700 | \$2,295,284 |
| Expenses associates with the Offers | \$752,936 | \$954,236 |
| Working capital | \$1,510,331 | \$2,014,097 |
| Total use of funds | \$5,850,000 | \$8,850,000 |

The Directors do not expect any Shareholder to control (as defined by section 50AA of the Corporations Act) the Company on Completion. The Directors believe that on Completion, Crestal will have sufficient funds available from cash proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet FirstWave's stated business objectives.

3.5 Capital Structure

As at the date of this Prospectus, Crestal has 7,495,675 Shares on issue.

The expected capital structure of Crestal following completion of the Offer is summarised below.

| | Minimum Subscription | Maximum Subscription |
|--|----------------------|----------------------|
| Shares on Issue | | |
| Current Shares on issue | 7,495,675 | 7,495,675 |
| Issue to Vendors under the FirstWave Offer | 132,290,810 | 132,290,810 |
| Shares issued under the Equity Offer | 25,000,000 | 40,000,000 |
| Total | 164,786,485 | 179,786,485 |
| Options on Issue | | |
| Existing Crestal Options on issue | 10,621 | 10,621 |
| Director Options to be issued | 13,800,000 | 13,800,000 |
| Total | 178,597,106 | 193,597,106 |

Shares issued under the Equity Offer will represent between 15.2% and 22.2% of the total Shares on issue post Completion of the Offers based on the Minimum Subscription and Maximum Subscription respectively.

Shares issued to Vendors under the FirstWave Offer will represent between 80.3% and 73.6% of the total Shares on issue post Completion of the Offers based on the Minimum Subscription and Maximum Subscription respectively.

3.6 Summary of the terms of the Equity Offer

| Topic | Summary |
|--|---|
| What is the type of security being offered? | Shares (being fully paid ordinary shares in the capital of the Company). |
| What are the rights and liabilities attached to the security being offered? | A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.3 |
| What is the consideration payable for each security being offered? | Shares will be issued at an Offer Price of \$0.20 per Share. |
| What is the Offer Period? | The key dates, including details of the Offer Period are set out in the Key Offer statistics set out at the front of this Prospectus. |
| What are the cash proceeds to be raised under the Equity Offer? | The Equity Offer will seek to raise a minimum of \$5 million and a maximum of \$8 million. |

| | |
|---|--|
| Is the Equity Offer subject to conditions? | <p>The Offer is conditional upon satisfaction of each of the following conditions:</p> <ul style="list-style-type: none"> (a) the Company receiving Equity Offer Application Forms and funds for an amount equal to the Minimum Subscription; (b) Shareholders approving all of the Acquisition Resolutions at the General Meeting; (c) completion of the Acquisition; and (d) the Company obtaining conditional approval which does not contain any unusual or uncustomary conditions from ASX to lift the suspension of trading on shares of the Company (subject to completion of the Offers) and for the Company's ordinary Shares to be reinstated to quotation on ASX, <p>(together the Conditions of the Equity Offer).</p> <p>If any of the Conditions of the Equity Offer are not satisfied then the Company will not proceed with the Equity Offer and the Company will refund all Application Monies received. If the Company does not proceed with the Equity Offer, it will not proceed with the FirstWave Offer.</p> <p>A summary of the conditions to the FirstWave Offer (and the Acquisition) are outlined above at Section 10.6(a).</p> |
| Is the Equity Offer underwritten? | No. The Equity Offer is not underwritten. |
| What is the minimum and maximum Application size under the Equity Offer? | <p>The minimum Application under the Equity Offer is \$2,000 worth of Shares. There is no maximum.</p> <p>The Company in consultation with the Lead Manager and Co-Manager, reserves the right to reject any Application Form or to allocate a lesser number of Shares than that applied for. In addition, the Company reserves the right to aggregate any Application Forms which they believe may be multiple Applications from the same person.</p> |
| What is the allocation policy? | <p>The allocation of Shares under the Equity Offer will be determined at the sole discretion of the Company in consultation with the Lead Manager, Co-Manager and FirstWave. Details of the allocation policy are set out below at Section 3.10.</p> |
| Are there any escrow arrangements? | <p>Escrow restrictions may be imposed by ASX on the Shares received by the Vendors under the FirstWave Offer. Details are provided in section 3.11.</p> |
| Has an ASX waiver or ASIC relief been obtained or been relied on? | Yes. Details are provided in section 10.8. |

| Topic | Summary |
|---|---|
| Are there any tax considerations? | Refer to Section 10.7. |
| Is there any brokerage, commission or stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Equity Offer. |
| What should you do with any enquiries? | <p>If you have any queries in relation to the Offer, please contact the Company Secretary on (02) 9409 7000 or visit FirstWave's website at www.firstwave.com.au</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Crestal is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest</p> |

(a) Institutional Offer

The Company, the Lead Manager and the Co-Manager will invite certain eligible institutional investors to bid for Shares under the Institutional Offer. The Institutional Offer will comprise an invitation to institutional investors in Australia to subscribe for Shares under this Prospectus.

Full details of how to participate, including instructions will be provided to eligible participants by the Lead Manager and Co Manager. The allocation of Shares among applicants in the Institutional Offer will be determined by the Company in consultation with the Lead Manager and Co-Manager and FirstWave. The Company, in consultation with the Lead Manager, Co-Manager and FirstWave, will have absolute discretion regarding the basis of allocation of Shares among institutional investors.

(b) Broker Firm Offer

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have been offered a firm allocation of Shares 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 Shares to you under the Broker Firm Offer.

How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on 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.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum application amount. Crestal, the Lead Manager and Co-Manager reserve the right to aggregate any applications that they believe may be multiple applications from the same person. The Company, the Lead Manager and Co-Manager may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer is expected to close on 19 April 2016. The Company, the Lead Manager and Co-Manager may elect to extend the Equity Offer or any part of it, or accept late Applications either generally or in particular cases. The Equity Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Company, the Lead Manager, the Co-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 the Company to subscribe for the number of Shares specified in the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an application by an applicant under the Equity 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 Shares to Successful Applicants.

3.7 FirstWave Offer

The FirstWave Offer is an offer to the Vendors or their nominees only.

Only the Vendors or their nominees may apply for Shares under the FirstWave Offer.

A personalised application form will be issued to each FirstWave Shareholder or their nominees together with a copy of this Prospectus (FirstWave Offer Application Form). The number of Shares to be offered to each Vendor will be outlined in the FirstWave Offer Application Form provided by the Company. The Company will only provide the FirstWave Offer Application Forms to the persons entitled to participate in the FirstWave Offer.

In order to apply for the issue of Shares under the FirstWave Offer you must complete and return the personalised FirstWave Offer Application Form in accordance with instructions received from your broker by no later than 5.00pm on the Closing Date. If you do not return your FirstWave Offer Application Form by this time and date, then the FirstWave Offer to you will lapse.

3.8 Dividend policy

The Company does not expect to declare any dividends in the near future as its focus will primarily be on using cash reserves to grow and develop FirstWave's business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

3.9 Application monies to be held on trust

Until the Shares are issued under this Prospectus, the Application Monies for Shares under the Equity Offer will be held by the Lead Manager or Co-Manager on trust on behalf of Applicants in separate bank accounts maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

3.10 Allocation of Shares

The Directors will determine the recipients of the Shares under the Equity Offer in consultation with the Lead Manager, Co-Manager and FirstWave. The Directors (in conjunction with the Lead Manager and Co-Manager) reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for re-quotation of the Shares, the Company obtaining approval for the Acquisition Resolutions at the General Meeting and the Conditions of the Equity Offer being satisfied, the issue of Shares will occur as soon as practicable after the Equity Offer closes. Shares under the FirstWave Offer will be issued on or about the same date as under the Equity Offer. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

If the Company does not obtain shareholder approval at the General Meeting for the Acquisition Resolutions, the Offers will be withdrawn and will not proceed and all Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offers.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

3.11 Disposal restrictions on Shares

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX, certain Shares in the Company may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of reinstatement. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

Shares issued to the Vendors (or their nominees) may be subject to an ASX imposed escrow period of up to 24 months from the date of re-compliance with the Listing Rules. None of the Shares issued under the Equity Offer are expected to be restricted securities. The Vendors have acknowledged that some or all of the Consideration Shares may be escrowed in accordance with the requirements of ASX and will sign such form of escrow agreement as required by the ASX.

The restricted securities listed above are subject to change depending on the escrow periods imposed by ASX in accordance with the Listing Rules. Prior to the Company's Shares being reinstated to trading on the ASX, the Company will enter into escrow agreements with the recipients of the restricted securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the Shares required to be held in escrow.

3.12 Restrictions on distributions

No action has been taken to register or qualify this Prospectus, the Shares or the Offers or otherwise to permit an equity offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction outside of Australian.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

3.13 CHESS and issuer sponsored holdings

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). All trading on the ASX in existing Shares is, and in Shares will be, settled through CHESS. ASX Settlement Pty Ltd (**ASXS**), a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry operates an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASXS will send a CHESS statement.

The CHESS statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the issuer sponsored subregister, your statement will be dispatched by the Company's share registry and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their security holding changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

3.14 Enquiries

Enquiries If you have any queries in relation to the Offer, please contact the Company Secretary on (02) 9409 7000 or visit FirstWave's website at www.firstwave.com.au.

Crestal and FirstWave Overview



4

4. Crestal and FirstWave Overview

FirstWave was founded in 2001 to address the burgeoning cloud security services market and has delivered managed SaaS security solutions since 2004.

Enterprises and government increasingly look to established IT companies like FirstWave to deliver managed IT security services to prevent major threats to their infrastructure & business.

FirstWave's customers include some of Australia's largest financial institutions, state & federal government, utilities, ASX listed and private companies in the mining and retail sectors.

FirstWave initially developed cloud based security platforms in partnership with Telstra Research Laboratories with the aim of moving security services from appliances at customer locations to the cloud.

This ultimately led to FirstWave successfully integrating its products into the Telstra network. This partnership now generates long term revenue for the company through the delivery of cloud security solutions for Telstra business, enterprise and government customers today.

Having built an ongoing relationship with Telstra, FirstWave now has a solid reputation in cloud security. More importantly these activities have validated the vision, the technology and provided the foundation for the commercial roll out of FirstWave's next generation managed security service.

The FirstWave Cloud Content Security Gateway (CCSG) is FirstWave's latest offering. It is a fully virtualised solution allowing telcos to deliver advanced cloud security solutions to downstream customers that are cost-effective, scalable and resilient.

FirstWave CCSG is carrier grade and specifically designed for the multi-tenanted requirements of telcos and cloud service providers. Over the next 12 months FirstWave's plan includes expansion into Asian, European and North American points of presence. The first instance of the FirstWave CCSG will be deployed in Telstra cloud infrastructure in March 2016.

FirstWave CCSG integrates next generation firewall, intelligent email inspection & advanced web content filtering. This technology combines advanced cloud security and cloud analytics using a unique reference architecture that allows delivery through either public or private cloud infrastructure.

The underpinning technology and business model will allow FirstWave to grow platforms and partners in an efficient and replicable manner.

It unlocks value in cloud infrastructure, telco networks and provides end customers with the ability to efficiently integrate with network and hosting providers. This in turn allows customers to move to the cloud while maintaining a secure, information rich, virtual company IT perimeter.

FirstWave CCSG service offerings have been designed to scale and strategically position the company to take advantage of the increase in global demand for cloud security services.

FirstWave has a current head count of 38 people in Australia primarily engaged in sales, marketing, cloud services delivery, product design, research and development.

4.1 Crestal Business Overview

Crestal was admitted to the Official List of the ASX on 6 May 2011 under the name Tellus Resources Limited.

Crestal operated an oil and gas exploration business which undertook the identification and acquisition of properties and projects that had discovery and development potential. In addition, the Company had interests in mineral tenement portfolios located in far north Queensland and regional New South Wales. On 1 April 2015 the directors of the Company appointed the Administrators and at the same time the Company's Shares were voluntarily suspended from quotation on the Official List of ASX. The Company completed its Deed of Company Arrangement on 2 December 2015.

The Board of Crestal has been evaluating alternative corporate opportunities which have the potential to deliver strong growth for shareholders. The proposed transaction with FirstWave is consistent with this strategy.

4.2 Cloud Security Products and Services

FirstWave's technology allows telcos and service providers to deploy a unique suite of cloud security solutions, products and services that provide long term income and high value service revenue.

FirstWave has invested heavily in R&D and product design to deliver innovative cloud gateway technology coupled with unique content classification and analytics that places us at the forefront of the rapidly emerging cloud security market segment.

4.2.1 FirstWave CCSG - Telco Grade Cloud Security Gateways

The FirstWave Cloud Content Secure Gateway (CCSG) has an extensible and flexible architecture that supports and satisfies a wide range of use cases and customer requirements. It is a unique reference architecture designed to deliver cloud security and content solutions through telcos and service providers with breakout points globally. Instead of a gateway and firewall in

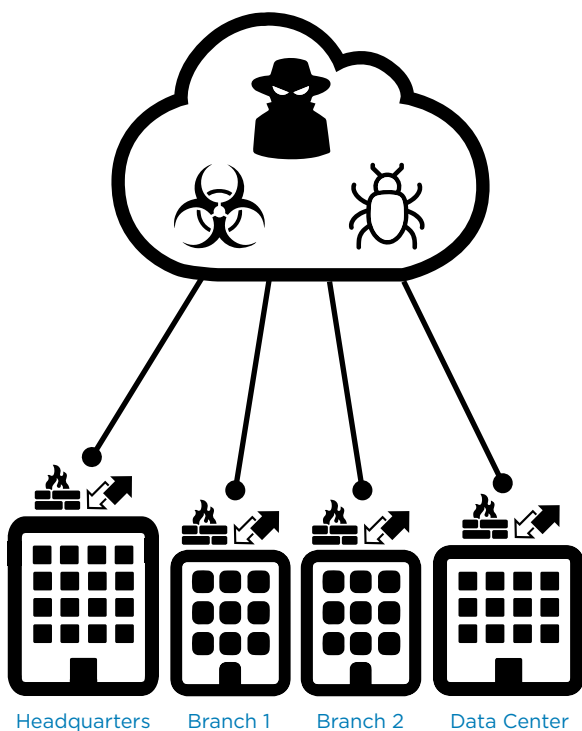
every office location, enterprises can use FirstWave's multi-tenanted, scalable, carrier grade gateways at major internet break out points which can be deployed quickly providing detail rich secure control across the business.

The CCSG also delivers superior visibility and protection of strategic enterprise information and data assets no matter where in the world those assets exist. It does this by providing a secure perimeter through virtual gateway infrastructure deployed wherever data passes from 'private' telco networks to the Cloud.

At the heart of this cloud security model is a scalable architecture with granular role-based access and control (RBAC) models. This means telcos can cost-effectively deliver secure gateways to enterprises through shared infrastructure.

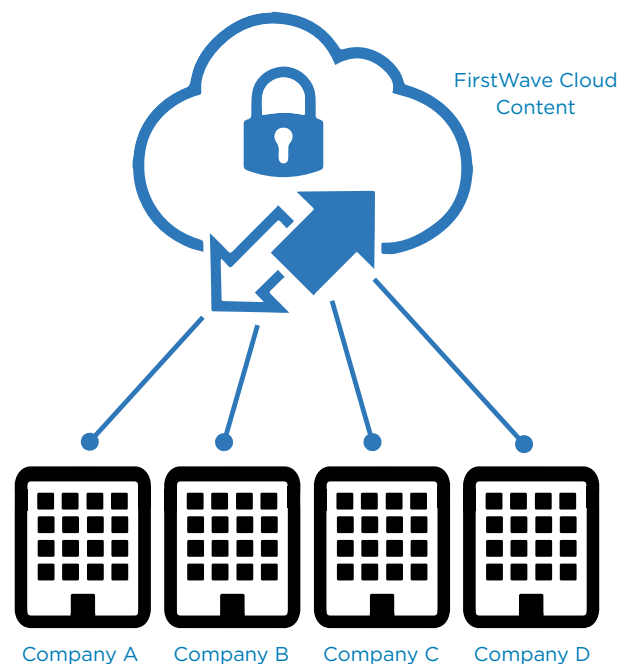
These virtual cloud gateways (CCSGs) provide secure policy enforcement between the internet and private networks and allow either the telco, service provider or the enterprise to exercise control as private data moves in and out of the porous enterprise boundaries.

The old way



Multiple gateways across many company locations

The FirstWave way



Multiple companies (and their locations) linked to CCSG Gateway

4.2.2 FirstWave CCSG - Cloud Security Solutions

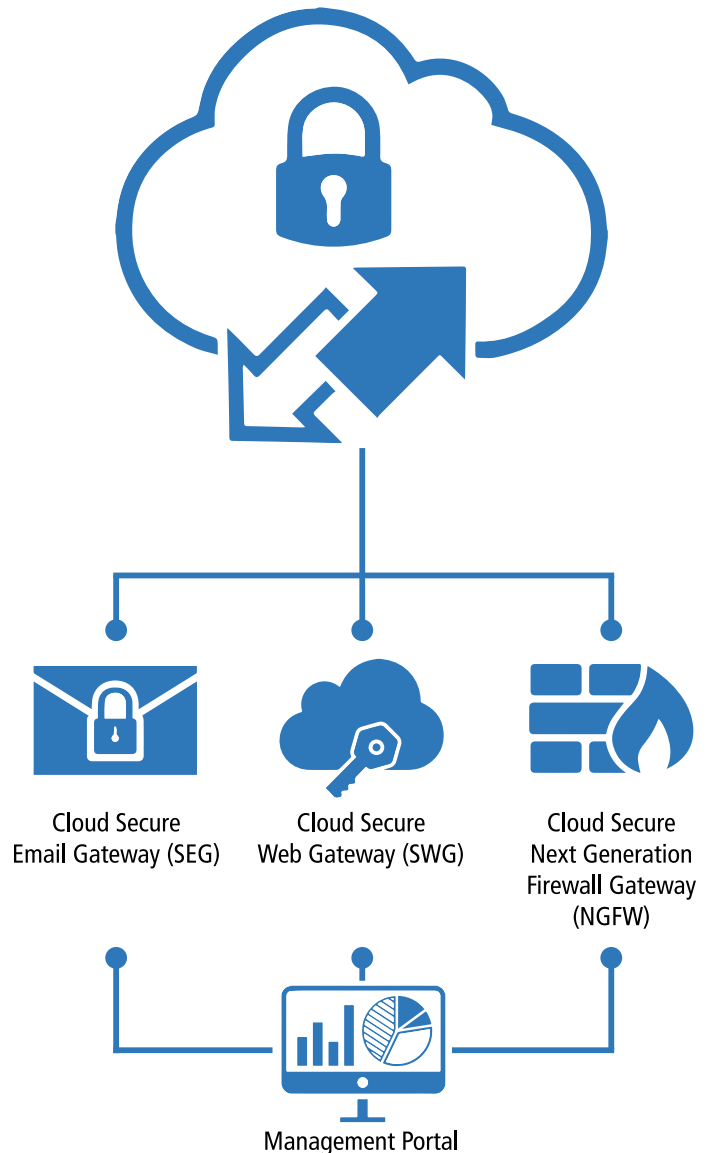
FirstWave CCSG is a virtual multi-tenant gateway that allows telcos to sell fully featured point security services to enterprise and government customers in Email (SEG), Web (SWG) or Next Generation Firewalls (NGFW) or as a fully featured integrated content security gateway with rich control and analytics.

The CCSG is designed to provide the cost benefits of moving to cloud technology, the resilience required in today's high availability communications, flexibility with multiple deployment options and the capacity to be scaled to hundreds of enterprises with thousands of users.

They are typically bundled with other telcos' services to deliver one stop response, support and remediation where necessary.

Importantly these solutions are integrated with Productised Service Packages that are prescribed and well-defined, delivered through a repeatable set of workflow management tasks and activities by professional service teams. These teams are responsible for design, transition (including deployment and integration, testing and handover) and deployment of services in a customer's security environment. These premium service packages provide customers with a proven deployment process that controls costs and ensures quick and pain-free cloud deployments.

Innovative Reference Architecture Built for Cloud Established



FirstWave's approach is based on advanced R&D built around rapidly developing web technology and big analytics – it provides advanced security that is redundant resilient, scalable and capable of securing information in hi speed always on world.

4.3 The Business Model

Telcos are changing the game by “providing new, cloud-related capabilities...including...higher levels of security using cloud-based technology”

“Accenture - A new era for communication service providers.”

FirstWave generates revenue from a number of sources including long term revenue from licence fees and productised service packages as well as project revenue from technology deployments and customer integration services. FirstWave also charges vendors for the integration of their security products into the FirstWave architecture.

When a telco or cloud service provider chooses FirstWave to provide its cloud security solutions, FirstWave’s technology is inextricably linked into the core of the service provider’s network creating an ongoing engagement.

When a government or enterprise customer chooses FirstWave through its telco or cloud service provider, the contracts may result in long term revenues ranging from one year up to 5+5 years.



Proprietary Technology
Partnership with Pre-eminent Telco
Higher Growth in International

4.3.1 Revenue generation

FirstWave derives long term and project revenue from licences and services:

FirstWave undertakes a number of types of projects including telco and cloud service provider product integration/roll-outs, major customer data centre to cloud transformations and product design on behalf of vendors who want to embed their security solution in the FirstWave CCSG architecture.

Once a customer is set up, long term services and licence fees are payable.



Project - Telco or Cloud Service Provider Roll-out

This includes integration services and CCSG technology to set up a telco's network for the sale of productised service packages to enterprise and government customers.



Project - Major Account Cloud Transformation

This is income is derived from FirstWave's domain experts who design, deliver and support cloud security solutions for major accounts.



Project - CCSG Vendors Integration Fees

FirstWave becomes a channel to market for vendors wanting to sell their security solution to end customers via telcos and cloud service providers. Fees are charged to embed vendor solutions within the CCSG



Cloud Security Gateway Revenue

Fees are paid for the delivery point solutions (email, web or NGFW) or the complete integrated cloud security suite delivered to telcos and service provider customers



Cloud Security Gateway Revenue

This licence revenue is charged to end customers via the telco or service provider for use of the FirstWave technology.

4.4 Product Development

FirstWave has developed its own unique classifiers specifically targeted at information and message processing (including patented 'Non-business and Offensive' classifiers)

FirstWave has continued to expand and enhance its email classification framework over the years and we have continued to deliver unique solutions in the domain with our most recent ones targeting the current 'Forged identity attacks' that are still largely unaddressed by the major security vendors.

Software defined HA Bootstrapping:- The implementation of firewall security services in the cloud has so far been a high touch labour intensive process. Our MANO (Management and Orchestration) system seeks to bring this to a zero touch process such that the entire service can be spun up, configured and licensed in a fully automated fashion. In order to achieve this level of automation FirstWave leverages a very close relationship with our vendors allowing for a tightly integrated approach. Our cloud platform automation covers:

- Virtual machine instantiation from a 'factory default' vendor appliance
- Bootstrapping and customer specific configuration of each appliance and auto setup and sync of HA pairs
- Tight integration to the vendors provided APIs allowing licensing, control and configuration
- Enduser Activation announcement and automatic creation of initial credentials
- Telco ready Northbound API for full service lifecycle automation

Our platform architecture supports pushbutton provisioning across multiple platforms. We are currently delivering into VMware compatible infrastructures however our basic architecture is both hypervisor and datastore agnostic.

4.5 Growth

According to a report from Infonetics Research, the global cloud security market is expected to be worth US\$11.6 billion by 2019 and is currently growing at 50% pa. FirstWave is uniquely positioned to take advantage of the transformation to cloud security both in Australia and throughout the region.

4.5.1 Australia

In Australia there is a transformation away from customer location based security appliances towards cloud security. FirstWave is ideally placed to take advantage of this shift to next generation technology and approach.



FirstWave is focused on growing its 'share of wallet' with existing customers as new services become available. FirstWave also expects to continue to grow the number of its customers engaged through Telstra.

FirstWave has built and deployed platforms based on earlier design models and hybrid architecture that have provided security to many of Australia's best brands over many years. FirstWave has refined the business model, commercial offerings and technology to a point where it is primed for rapid growth with the recent investment in sales, marketing and product development.

Market transformation towards cloud security
Telstra Partnership
New Services & International Partners

4.5.2 Telstra as a Partner

FirstWave has had a longstanding contracted relationship with Telstra for the delivery of cloud based security solutions. Telstra is recognised as one of the world's leading innovators in this new era for communications service providers.

This creates an environment for FirstWave to build solid domain expertise, grow a robust long term revenue stream and develop a reputation for expertise, customer service and support. The security solutions are tightly coupled with Telstra's operational support systems (OSS) and business support systems (BSS), for example enabling integrated billing.

In FY16, a new sales engagement model with focused programs on channel enablement specifically targeting enterprise and Government customers and medium size businesses has increased the level and quality of sales activity driving customer growth. Targeted sales programs have been developed for specific enterprise and Government sectors and the early demand for the fore-mentioned products and services reflects significant potential for FirstWave in Australia.

In the first calendar quarter of 2016 FirstWave will launch the new fully virtualised CCSG (with integrated NGFW) in partnership with Telstra, and Firstwave is seeing strong demand ahead of its launch.

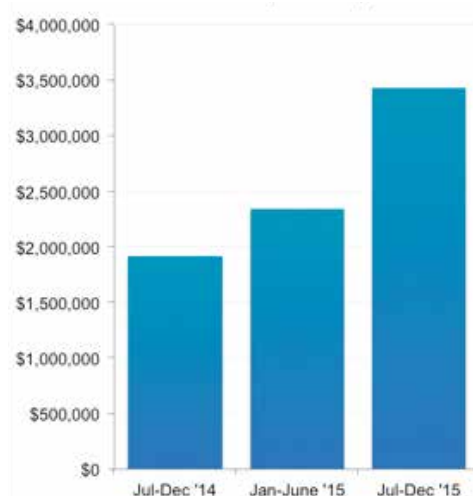
4.5.3 International

Further partner and sales opportunities are being developed outside of Australia by FirstWave. FirstWave is actively engaged with a number of regional telcos and cloud service providers as part of the strategy to expand the Company's footprint by leveraging existing relationships (and advocates) with global security vendor partners and deploying telco-grade gateways. Over the next 12 months plans include expansion into Asian, European and North American points of presence.



4.5.4 Billable Work

Total TCV (Billable)



As of 24 March 2016, FirstWave has secured an additional total contract value this financial year of \$4.7 million comprising of telco platform licence fees, customised virtual next generation firewall solutions and professional services. The blended average life of these contracts were typical of telco term contracts averaging 22 months.

| Average Customer Contract Analysis | YTD March 2015 | YTD March 2016 | Growth % |
|------------------------------------|----------------|----------------|----------|
| Revenue (\$'000s/customer) | 47 | 60 | 27% |
| Margin (\$'000s) | 19 | 26 | 32% |
| Margin (%) | 41 | 42 | 3% |
| Term (months) | 22 | 22 | |

The total contract value work in hand is circa \$4.5 million as of 24 March 2016.

| Total Contracted Value & Revenue Analysis | YTD Dec 2015 | YTD March 2015 | YTD March 2016 | Growth % |
|---|--------------|----------------|----------------|----------|
| Total TCV (\$'000s) | 5,200* | 3,632 | 4,682 | 29% |
| Revenue (\$'000s) | 2,599* | 3,357 | 4,292 | 28% |
| Rate of customer acquisition | | 33 | 51 | 55% |

*Refer to Key Operating Metrics set out in section 6.5

Industry Overview



5

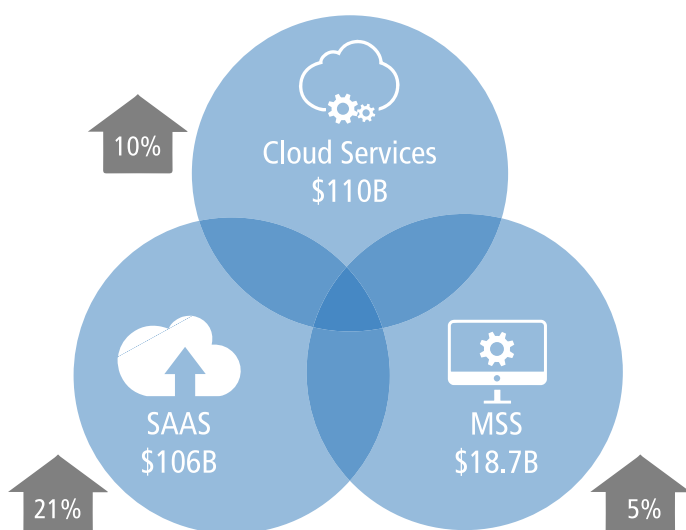
5. Industry Overview

5.1 Cloud Security Service Market

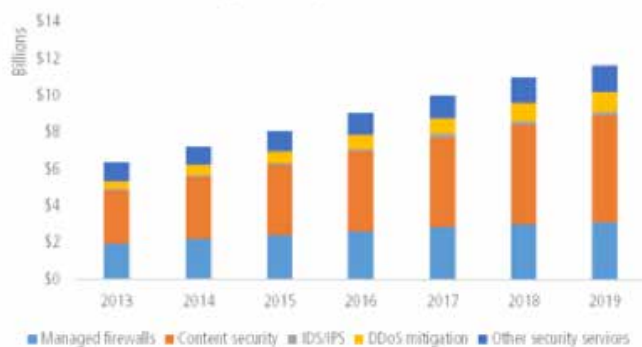
FirstWave operates in the burgeoning cloud security sector of the global managed security services market. Infonetics forecasts this sector to be \$9.0B in 2016 growing at 12%. In Asia Pacific the cloud security market is forecast to be \$2.4B growing at 14%.

The cloud security sector sits at the junction of three major overlapping markets: Cloud Services forecast by Forrester to be \$110B in 2016 growing at 10% pa and Software as a Service \$106B growing at 21%. Infonetics forecasts the managed security services market to be \$18.7B (5% pa). The resultant cloud security sector is valued at \$9.0B growing at 12% pa.

Infonetics Research forecast the global cloud security sector will exceed \$11.6 billion in 2019, continuing to grow strongly at 10.1% pa. The Asia Pacific region currently accounts for 18% of the global cloud security market at \$2.4B and is expected to grow significantly over the medium term.



Managed Security Services Features



Source:- Infonetics Cloud and CPE Managed Security Services
Annual Market Size and Forecasts: 2015 Edition

5.2 Cybercrime

Each year, cyber-attacks cost businesses US\$400-500 billion.

The British insurance company Lloyd's estimates that cyber-attacks cost businesses as much as \$400 billion a year, which includes direct damage plus post-attack disruption to the normal course of business. Some vendor and media forecasts put the cybercrime figure as high as \$500 billion and more.

IT security events and the average cost of a data breach are on the rise. There has been a 38% increase in the number of information security incidents detected globally in 2015. A year earlier, cybersecurity incidents cost businesses approximately US\$ 6.5 million, an increase of 10%. There is also an increase in the volume, variety and complexity of threats at all levels ranging from IT infrastructure threats to targeted cyber-attacks.

Cybercriminals stole up to \$1 billion from approximately 100 financial institutions in the U.S., Germany, Russia, Ukraine, and China over a two-year period, according to researchers from security firm Kaspersky Lab.

According to the "World Economic Forum (WEF) Global Risks 2015 Report", most cybercrime incidents go unreported, and few companies come forward with information on their losses. That is not surprising given the risk to an organization's reputation and the prospect of legal action against those that own up to cybercrime.

The World Economic Forum (WEF) says a significant portion of cybercrime goes undetected, particularly industrial espionage where access to confidential documents and data is difficult to spot.

TechSci Research says the banking and financial services sector has been the prime target of cyber criminals over the last five years, followed by IT & telecom, defence, and the oil and gas sector.

5.3 Customer cyber-attack protection requirements

Content security, managed firewalls, denial of Service Attack (DDoS) mitigation and day to day operation of customer security technologies are the key features required in a cloud based security service.

As illustrated below, growth is largely driven by content security and managed firewall services which are expected to generate \$9 billion in revenue in CY19. Further, spending on Denial-of-Service-Attack (DDoS) mitigation, which is where a third party service provider are responsible for deployment, configuration and day-to-day operation of DDoS mitigation solutions, is expected to increase from \$600 million in CY4 to \$900 million in CY19.

FirstWave has developed a range of proprietary technologies including the Cloud Content Security Gateway (CCSG) which allows telcos and cloud service providers to efficiently and cost effectively deliver a range of third party cloud security solutions to their customer bases including:

- managed firewalls;
- content security for a variety of web and messaging services;
- intrusion detection and prevention services; and
- the day to day operation of customer security technologies such as authentication and vulnerability assessment.

Enterprises and governments are increasingly transitioning to storing data in the cloud and utilising software-as-a-service (SaaS) platforms in order to gain operational and cost efficiencies relative to installing and maintaining traditional capital intensive on-site IT systems and data storage.

As greater volumes of data and systems move to the Cloud, FirstWave believes that there will be an increased emphasis on enterprises and governments to assess and immediately respond to potential cyber security risks. This is especially in light of the recent high profile cyber security breaches which have kept data security concerns front of mind for IT Managers, particularly given the significant business costs resulting from the loss of confidential and business sensitive data stemming from a security breach and the consequential implications from a regulatory and reputational perspective.

Infonetics Research highlights that the proliferation of internet connected devices and the diversity of those devices from a hardware and operating system perspective will drive enterprise and governments to adopt cloud-based security providers to manage the integration of various security measures and provide consistent protection regardless of device, operating system or data type.

5.4 Enhancing the revenue model for telecommunications providers

**Greater volumes of data in the cloud
Cost of data breaches increasing
Proliferation of connected devices**

The rapid development of cloud computing has challenged the traditional business model of the telcos.

Global internet and software giants such as Google, Amazon and Microsoft have started building their own cloud networks with the aim to become major cloud infrastructure providers. Over the recent years, the telecommunications providers have suffered declines in traditional service revenue as a result of the change in technology, competition and socio-economic conditions that has led to shifts in business and customer behaviours.

In order to stay competitive and capture the opportunities associated with cloud computing, the telecommunications providers have been leveraging its existing customer relationships with downstream enterprise, government and businesses to offer fully integrated cloud products. They comprise of cloud-managed services designed to handle the selection, procurement, provisioning and governing of cloud services and data security to support the customers' business requirements and needs. By offering these products, telecommunications providers can differentiate their commoditised network services and drive high margin, recurring revenue growth.

For example, telecommunications providers could offer their customers the following additional bolt-on service offerings: hosting on-demand, SaaS enablement, storage on-demand, cloud security, unified communication as-a-service, billing-as-service and acting as a cloud services broker.

In Australia, all major telecommunications providers offer cloud services. While they have historically focused on infrastructure-as-a-service (IaaS) solutions, an increasing number of telecommunications providers are working with managed services providers to expand their SaaS product offerings. Telstra has announced a five-year \$800 million cloud investment plan to meet the growing demand for cloud services from its enterprise and government customers. In FY15, Telstra was awarded the Polycom Award for the Global Cloud Provider of the Year, and reported a 33% increase in cloud services revenue reaching \$286 million. FirstWave believes that Telstra sees cloud security as a key value-added product to their customers.

FirstWave has developed a “cloud supply chain” which is underpinned by FirstWave’s unique reference architecture, for which it has filed patent applications in Australia, the United States and the European Union, which allows telecommunications providers to capitalise on this market opportunity. As detailed in Section 4, FirstWave has partnered with Telstra to provide white label cloud security solutions to Telstra’s enterprise customers.

Specifically, FirstWave’s solution has been proven in a variety of deployment models including private cloud, public cloud and hybrid developments to lower lifecycle costs and includes expert assistance in designing and transitioning a company’s operations to the cloud as well as integrating with the company’s existing security systems.

5.5 Competitive landscape

The cloud security services market is made up of a diverse range of offerings from companies of all sizes, both globally and domestically. FirstWave’s approach is to partner with key vendors, Telcos and cloud service providers.

FirstWave’s competitors include large established IT companies and systems integrators, and small nimble companies who provide specialised and innovative security solutions.

FirstWave can be distinguished from its competitors through its proprietary technology and approach to partnerships with telcos and cloud service providers. Telstra and FirstWave have established relationships with leading global technology vendors like Intel, Palo Alto and Cisco which has strengthened FirstWave’s cloud service offerings. FirstWave also sees an increasing adoption of the cloud technology by Telstra’s small and median sized business customers to drive efficiencies.

With FirstWave’s commercialisation plan for Asia Pacific and being the provider of Telstra’s Cloud Content Security Solutions, it is well positioned to benefit from enabling telcos and cloud service providers in the cloud security market.

Financial Information



6

6. Financial Information

6.1 Introduction

The financial information set out in this **Section 6** contains the following financial information in relation to both CRX and FirstWave, prepared by the Directors:

- Summary audited and reviewed consolidated historical income statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for CRX;
- Summary audited and reviewed historical income statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for FirstWave;
- Summary audited and reviewed consolidated historical statement of cash flows for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for CRX;
- Summary audited and reviewed historical statement of cash flows for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for FirstWave; and
- Reviewed historical statutory and pro forma consolidated historical statement of financial positions as at 31 December 2015 of CRX;

together the (“**Historical Financial Information**”).

The information set out in this Section should be read together with:

- Management’s discussion & analysis set out in this section under **Section 6.5** below;
- The risk factors described in **Section 7**;
- The Use of Proceeds of the Offers described in **Section 3.4**;
- The indicative capital structure described in **Section 3.5**;
- The Independent Limited Assurance Report on the Historical and Financial Information set out in **Section 9**; and
- The other information contained in this Prospectus.

All amounts disclosed in this section are presented in AUD\$, unless otherwise noted, and are rounded to the nearest AUD\$’000.

In addition, investors should be aware that past performance is not an indication of future performance.

6.2 Basis of preparation of the Financial Information

The financial information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, (including the Australian Accounting Interpretations).

The significant accounting policies of both CRX and FirstWave relevant to the financial information are noted in **Section 6.12**. The accounting policies of CRX and FirstWave have been consistently applied throughout the periods presented.

The 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 financial information has been prepared for the purpose of the Offer.

The historical financial information has been derived from both CRX and FirstWave’s audited financial statements for FY2014 and FY2015 and reviewed financial statements for HY2016.

The financial statements for CRX and FirstWave were prepared in AUD dollars and in accordance with AGAAP and were audited in FY2014 and FY2015 by Grant Thornton Audit Pty Ltd and The Linkara Group Pty Ltd respectively who issued unmodified audit opinions in respect of these periods. Grant Thornton Audit Pty Ltd has reviewed the financial statements for HY2016 for both CRX and FirstWave and issued an independent auditors review report in respect of this period.

No modified audit/review reports were issued for FirstWave in FY2014, FY2015 or HY2016. No modified audit reports were issued for CRX in FY2014. A modified audit opinion/review report was issued in FY2015 and HY2016 for CRX in relation to an emphasis of matter regarding the realisation basis of accounting due to the restructure and recapitalisation as a consequence of the DOCA.

6.3 Non IFRS financial measures

Investors should be aware that certain financial data included in this **Section 6** is “non IFRS financial information” under Regulatory Guide 230: “Disclosing non IFRS financial information” published by ASIC. The Company believes that this non IFRS financial information provides useful information to users in measuring the financial performance and conditions of CRX and FirstWave. As non IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which CRX and FirstWave calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non IFRS financial information and ratios.

In particular the following non IFRS financial data is included:

- EBITDAX which means earnings before interest, taxation, depreciation, amortisation and exploration activities;
- EBITDA which means earnings before interest, taxation, depreciation and amortisation;
- EBITA which means earnings before interest, taxation and amortisation; and
- EBIT which means earnings before interest and taxation.

6.4 General factors affecting the operating results of the Company and FirstWave

Below is a discussion of the main factors which affected CRX and FirstWave's operations and relative financial performance in FY2014, FY2015 and HY2016 which CRX and FirstWave expect may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected CRX and FirstWave's historical operating and financial performance, nor everything which may affect CRX and FirstWave's operations and financial performance in the future.

6.5 Management discussion and analysis of the Historical Financial Information CRX

CRX historically operated as an oil and gas exploration business which undertook the identification and acquisition of properties and projects that had discovery and development potential. In addition, the Company had interests in mineral tenement portfolios located in far north Queensland and regional New South Wales.

CRX announced a suspension from the ASX on 1 April 2015, in accordance with Listing Rule 17.3, following the appointment of voluntary administrators.

At a meeting of CRX's creditors that was held on 17 August 2015, the creditors resolved to approve the execution of a DOCA, to recapitalise the Company, which was subsequently executed by the Company on 7 September 2015.

The DOCA was completed in accordance with its terms on 2 December 2015. The terms of the proposal to recapitalise the Company are reflected in the DOCA.

The table below presents the statutory consolidated historical income statements for FY2014, FY2015 and HY2016 and other non IFRS financial disclosures.

| | Audited | Audited | Reviewed |
|-------------------------------------|----------------|-----------------|--------------|
| \$'000 June year end | FY2014 | FY2015 | HY2016 |
| Revenue | 3 | 10 | 4,756 |
| Overheads | (2,024) | (2,230) | (1,764) |
| EBITDAX | (2,021) | (2,220) | 2,992 |
| Exploration expenditure written off | (6,246) | (15,628) | 60 |
| EBITDA | (8,267) | (17,848) | 3,052 |
| Depreciation and amortisation | (18) | (58) | - |
| EBIT | (8,285) | (17,906) | 3,052 |
| Interest received | 20 | - | - |
| NPBT | (8,265) | (17,906) | 3,052 |
| Income tax benefit / (expense) | 1,558 | (41) | - |
| NPAT | (6,707) | (17,947) | 3,052 |

The consolidated historical income statements have been extracted from the audited financial statements of CRX for FY2014 and FY2015 and reviewed financial statements of CRX for HY2016.

Revenue

Historically, CRX's operations were focussed on resource exploration, therefore no revenue has historically been generated. Revenue recorded in HY2016 is non cash in nature and relates to the restructure of the Company under the DOCA.

Expenses

Overheads included primarily administrative and corporate costs, management fees and on costs, share based incentives and business development costs. The increase in costs in FY2015 was due to increases in corporate costs in relation to administrator fees.

The table below presents the statutory consolidated historical statement of cash flows for FY2014, FY2015 and HY2016.

| | Audited | Audited | Reviewed |
|--|----------------|----------|------------|
| \$'000 June year end | FY2014 | FY2015 | HY2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| EBITDAX | (2,021) | (2,220) | 2,992 |
| Add back: share based payments | 339 | 9 | - |
| Movement in tax effected share issue costs | (160) | 40 | - |
| Deduct: non cash impact of the DOCA | - | - | (3,058) |
| <i>Changes in assets and liabilities:</i> | | | |
| Movement in working capital | 269 | 538 | (522) |
| Movement in other assets and liabilities | 11 | 281 | 239 |
| R&D tax rebate received | 288 | 1,353 | - |
| Net cash (outflow) / inflow from operating activities | (1,274) | 1 | 827 |

| | Audited | Audited | Reviewed |
|---|----------------|----------------|-------------|
| \$'000 June year end | FY2014 | FY2015 | HY2016 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for plant and equipment | (27) | (9) | - |
| Payment for exploration expenditure (net of proceeds) | (4,351) | (1,904) | - |
| Net cash outflow from investing activities | (4,378) | (1,913) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from the issue of shares | 4,574 | 1,831 | 750 |
| Payment for share issue costs | (218) | (60) | - |
| Net proceeds / (repayments) of borrowings | 550 | (77) | - |
| Net interest received | 20 | - | - |
| Net cash inflow from financing activities | 4,926 | 1,694 | 750 |
| Net decrease in cash and cash equivalents | (726) | (218) | (77) |
| Cash and cash equivalents at the beginning of the period | 1,135 | 409 | 191 |
| Cash and cash equivalents at the end of the period | 409 | 191 | 114 |

The consolidated historical statement of cash flows has been extracted from the audited financial statements of CRX for FY2014 and FY2015 and reviewed financial statements of CRX for HY2016.

Operating and financing cash flows

CRX has continued to incur corporate operating costs over the Historical Period, with no offsetting operational revenue, which has resulted in operating cash out flows as activities have been wound down.

FirstWave

FirstWave delivers two core capabilities, including an advanced proprietary CCSG, and an established professional services practice in cloud security transitions. By partnering with the telecommunication companies and cloud security vendors, FirstWave's customers range in size and industry with a portfolio including large financial institutions, ASX listed companies, government agencies, utilities providers, mining groups and retailers.

The table below presents the statutory historical income statements for FY2014, FY2015 and HY2016 and other non IFRS financial disclosures.

| | Audited | Audited | Reviewed |
|--------------------------------|------------|------------|----------------|
| \$'000 June year end | FY2014 | FY2015 | HY2016 |
| Revenue | 3,977 | 4,661 | 2,599 |
| R&D grant revenue | 210 | 428 | 108 |
| Costs of undertaking business | (3,498) | (4,229) | (3,995) |
| EBITDA | 689 | 860 | (1,288) |
| EBITA | 639 | 823 | (1,310) |
| EBIT | 111 | 269 | (1,590) |
| NPBT | 10 | 160 | (1,637) |
| Income tax benefit / (expense) | 25 | (116) | 46 |
| NPAT | 36 | 43 | (1,591) |

The historical income statements have been extracted from the audited financial statements of FirstWave for FY2014 and FY2015 and reviewed financial statements of FirstWave for HY2016.

1.FirstWave have ascribed a useful life range of between 5 and 7 years to the amortisation of the capitalised development expenditure and other intangible assets

Key operating metrics

FirstWave has grown the total number of contracts (excluding month to month contracts) to 192 in HY2016 (from 185 in HY2015), which has resulted in an increase in revenues year on year. Approximately 77.8% of total revenues relate to contracts with recurring monthly revenue. Licencing terms range from monthly to 5 year periods, with a weighted average contract length of 29 months (excluding month to month contracts).

On an LTM basis to 31 December 2015 the average contract value has increased from \$19,000 at 30 June 2015 to \$22,000 at 31 December 2015 due to demand for a more customised service offering and significant wins with larger customers.

EBITDA has declined to negative \$1.3 million in HY2016 (from \$0.9 million in FY2015) as FirstWave have invested in the following material expenditure in anticipation of future growth and upcoming contracts being won:

- increase in employment costs due to the hire of 6 new senior employees, which has changed the employee mix towards more senior personnel and has consequently increased the average salary, primarily within the sales and marketing team (annualised cost increase of \$1.6 million). Salaries across all functions were increased by CPI in July 2015;
- increase in the board of director costs as well as costs incurred in relation to the ASX listing of which an element is not expected to be recurring (\$0.38 million) (annualised cost increase of \$0.9 million);
- bonuses and commissions associated with the increased headcount as well as new remuneration structures attaching to the recent senior personnel appointments (annualised cost increase of \$0.6 million); and
- growth in web and email licence fees correlated with the increased number of contracts and consequently revenue (annualised cost increase of \$0.3 million).

The table below presents the historical key performance indicators for FirstWave for FY2014, FY2015 and HY2016:

| | Audited | Audited | Reviewed |
|---|---------|---------|----------|
| June year end | FY2014 | FY2015 | HY2016 |
| Weighted average contract length (no. of months, excl. month to month contracts) ¹ . | 26.4 | 26.9 | 29.3 |
| Total no. of contracts (excl. month to month contracts) ² . | 283 | 244 | 192 |
| Average contract value (\$'000) ³ . | \$14 | \$19 | \$14 |
| Recurring revenue % ⁴ . | 77.9% | 78.4% | 77.8% |
| EBITDA margin (% of revenue) ⁵ . | 17.3% | 18.4% | (49.6)% |
| EBITA margin (% of revenue) ⁶ . | 16.1% | 17.7% | (50.4)% |
| EBIT margin (% revenue) ⁷ . | 2.8% | 5.8% | (61.2)% |
| NPAT margin (% of revenue) ⁸ . | 0.9% | 0.9% | (61.2)% |
| FTE as at 30 June ⁹ . | 19 | 22 | 28 |

¹ Weighted average contract length has been calculated based upon the term of contracts excluding month to month contracts, weighted by the revenue generated from each contract, and extracted from the FirstWave customer database (Salesforce).

² Total no. of contracts has been extracted from the FirstWave customer database (Salesforce) and has been calculated based upon any contract that generates revenue in a period, excluding month to month contracts.

³ Calculated as revenue divided by the total no. of contracts.

⁴ Recurring revenue % is calculated based on all revenues. Non recurring revenues relate to one off professional services revenues and hardware sales in the Historical Period.

⁵ EBITDA margin has been calculated by dividing EBITDA by revenue.

⁶ EBITA margin has been calculated by dividing EBITA by revenue.

⁷ EBIT margin has been calculated by dividing EBIT by revenue.

⁸ NPAT margin has been calculated by dividing NPAT by revenue.

⁹ Total no. of employees incurring employment expenses during the period.

Revenue

FirstWave revenue is primarily derived from recurring monthly managed web and email services (license fees), professional services (implementation) and support fees. Contracts for managed web and email services are typically 12 to 36 months in length, with several large customers paying for the full length of the licence in advance. As at 31 December 2015, \$5.2 million of contracted revenue exists, based on 125 active contracts with remaining licence terms from FY2016 to FY2018 (30 June 2015: \$5.2 million).

Licencing fees are invoiced to the telecommunications provider who holds the contractual obligation with the end customer. FirstWave perform the security service on behalf of the telecommunications provider for the end user of the cloud security.

| | Actual | Actual | Actual |
|-----------------------|---------------|---------------|---------------|
| \$'000 | FY2014 | FY2015 | HY2016 |
| Managed web | 1,144 | 1,557 | 869 |
| Professional services | 530 | 1,215 | 780 |
| Email | 1,281 | 1,217 | 615 |
| Support | 672 | 672 | 335 |
| Hardware | 350 | - | - |
| Revenue | 3,977 | 4,661 | 2,599 |

As revenues are typically generated from recurring monthly managed web and email services, there is minimal seasonality of FirstWave revenues, except for one off integration and setup fees recognised for specific customers.

Revenue increased by \$0.7 million between FY2014 and FY2015, due to the growth in managed web services with the commencement of new clients, of which a significant portion of this revenue increase related to a large government organisation as a customer. One off hardware sales of \$0.4 million were made to this customer in August 2013.

In HY2016, revenue increased \$0.5 million compared to HY2015, in relation to growth in managed web and professional services revenues. This was due to increased uptake of a more customised security offering, and market demand. The total no. of contracts increased from 185 in HY2015 to 192 in HY2016, a number of significant large customers were won, including a large bank, government organisations and consumer goods companies.

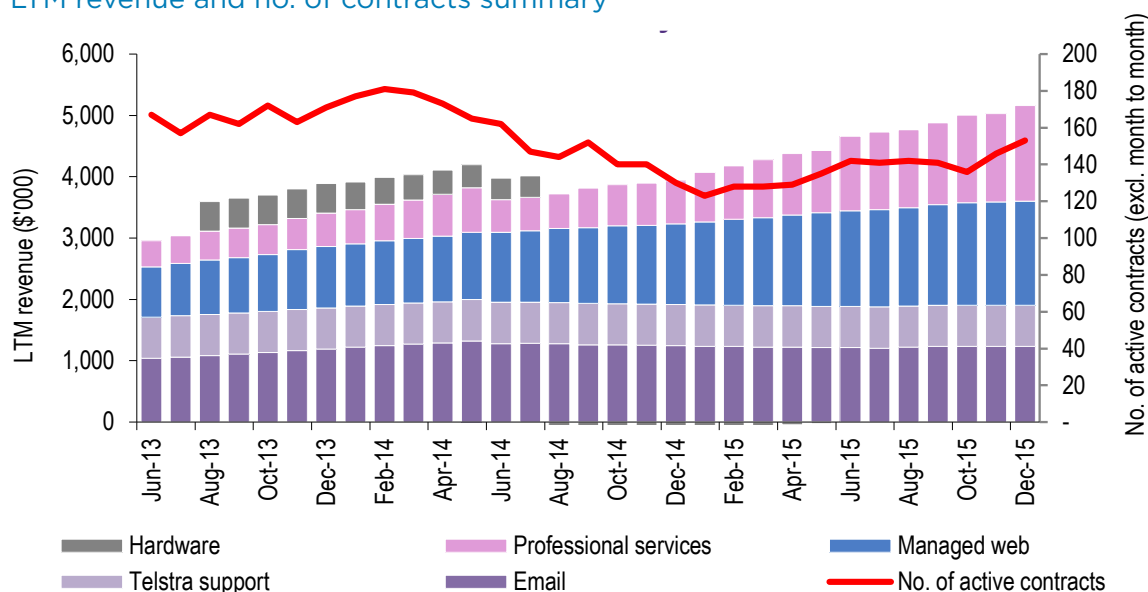
| | Actual | Actual | Actual |
|----------------|---------------|---------------|---------------|
| \$'000 | FY2014 | FY2015 | HY2016 |
| Telstra | 3,584 | 4,267 | 2,426 |
| Direct | 213 | 193 | 81 |
| Reseller | 180 | 201 | 92 |
| Revenue | 3,977 | 4,661 | 2,599 |

Telstra revenues relate to a multitude of email and web cloud security services for clients of Telstra. FirstWave perform the service on behalf of Telstra and invoice Telstra directly at the prices specified within the agreement.

Direct revenues relate to customers of FirstWave that are serviced and invoiced by FirstWave with no intermediary.

Resellers relate to other non Telstra resellers, which offer the services of FirstWave as part of their broader offering to their customers.

LTM revenue and no. of contracts summary



¹ LTM revenues is calculated on the cumulative prior 12 months revenue on a rolling basis.

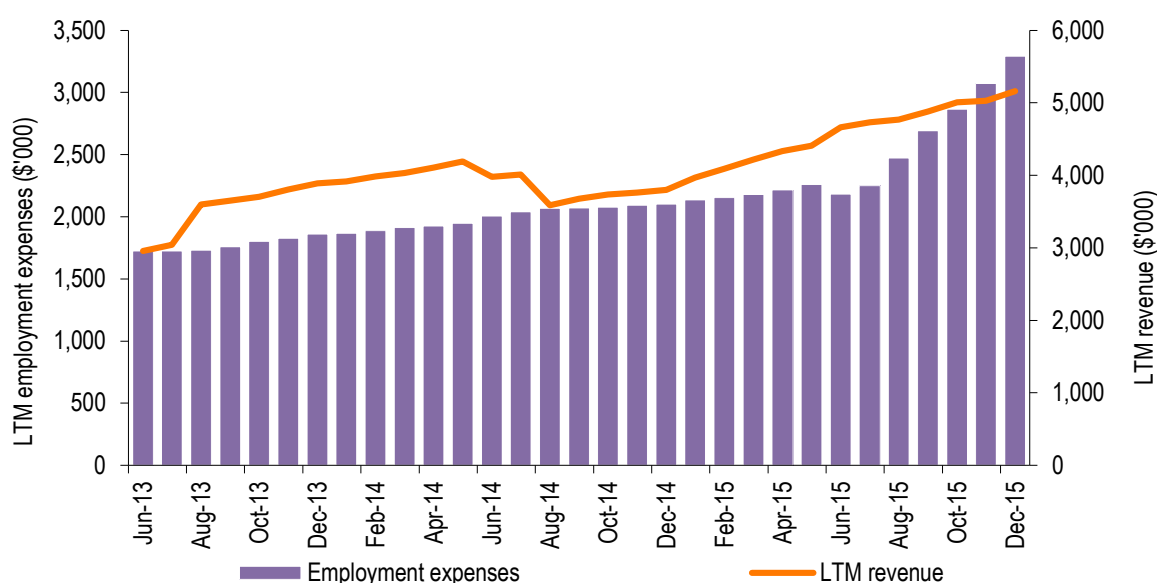
² No. of active contracts relates to contract generating revenue in that month, excluding month to month contracts.

Employment expenses

Employee expenses are the largest cost to the business, accounting for 63.9% of total overhead costs in HY2016. Employment expenses increased \$0.2 million between FY2014 and FY2015, due to 3 additional employees.

Employment expenses increased by \$1.1 million in HY2016 on an LTM basis to 31 December 2015 from FY2015 in relation to an increase in headcount by 6 which related largely to senior appointments, bringing the total headcount to 28. The increase in headcount relates primarily to sales and marketing, product development and customer services employees recruited to support the release of the new NGFW product requiring significant marketing sales and service delivery skills. The initial loss incurred from the ramp up in headcount is expected to generate significant growth in sales in FY2016.

LTM employment expenses and revenue summary



FirstWave capitalise the employment expenses of their development team, in relation to work performed maintaining and advancing the FirstWave CCSG platform. Capitalised costs also include contracted labour and travel expenses (FY2014: \$0.6 million, FY2015: \$0.5 million and HY2016: \$0.4 million). These capitalised costs are separated into components amortised in accordance with AGAAP, with a useful life ranging from 5 to 7 years.

Email and web licence costs

Email and web security licenses are purchased and held by FirstWave as the basis for the cloud security services provided to customers. Email and web licence costs account for 22.3% of total costs in HY2016.

In FY2015, anti spam, anti virus and web license fees increased \$0.4 million, which are directly correlated with the requirements of new clients and professional services being undertaken.

Web licence fees increased by \$0.3 million in HY2016 on an LTM basis to 31 December 2015 from FY2015 in relation to growth in the no. of web contracts won. In HY2016, FirstWave incurred email licence costs and generated email revenues consistent with HY2015.

Other expenses

Other material costs have impacted the cost structure over the Historical Period in relatively the same proportion year on year and include external contractors, marketing, and rental costs. These costs reflect a further 22% of total costs. Included within other expense were offer costs ((\$0.38 million) which are expected to not be recurring) which increased by \$0.5 million from FY2015 to HY2016 on an LTM basis to 31 December 2015 in relation to preparing the Company for the ASX listing.

The table below presents the statutory historical statement of cash flows in FY2014, FY2015 and HY2016, and other non IFRS measures.

| | Audited | Audited | Reviewed |
|--|--------------|--------------|----------------|
| \$'000 June year end | FY2014 | FY2015 | HY2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| EBITDA | 689 | 860 | (1288) |
| <i>Changes in assets and liabilities:</i> | | | |
| Movement in working capital | 1,035 | (697) | (179) |
| Movement in other assets and liabilities | (402) | (53) | (228) |
| Net cash inflow / (outflow) from operating activities | 1,322 | 110 | (1,695) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | (24) | (80) | (87) |
| Capitalised development costs and patent | (629) | (540) | (368) |
| Net cash outflow from investing activities | (653) | (620) | (455) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds /(repayment) of borrowings | 201 | - | - |
| Net interest paid | (101) | (109) | (47) |
| Proceeds from the issue of shares (net of costs) | - | - | 2,901 |
| Net cash inflow / (outflow) from financing activities | 100 | (109) | 2,854 |
| Net increase / (decrease) in cash held | 769 | (619) | 704 |
| Cash and cash equivalents at the beginning of the period | 239 | 1,008 | 389 |
| Cash and cash equivalents at the end of the period | 1,008 | 389 | 1,093 |

The historical statement of cash flows has been extracted from the audited financial statements of FirstWave for FY2014 and FY2015 and reviewed financial statements of FirstWave for HY2016.

Operating and financing cash flows

In FY2015, a \$1.0 million increase in trade and other receivables due to significant professional services recognised for a large financial services customer in June, resulted in lockup of working capital, which has since been received.

EBITDA has decreased in HY2016 due to the investment in the cost structure to promote growth. Consequently the cash flow from operating activities decreased by \$1.8 million to (\$1.7 million). This was offset by a \$2.8 million increase in cash flows from financing activities due to the issue of new shares.

Investing cash flows

Cash used for investing activities has remained relatively stable from FY2014 to HY2016. Minimal capital expenditure on PPE has been undertaken, with the predominant capex (FY2014: \$0.6 million, FY2015: \$0.5 million, HY2016: \$0.4 million) incurred in developing the software platform internally.

6.6 Reviewed consolidated historical statutory and pro forma statement of financial position at 31 December 2015

The table below sets out the reviewed consolidated historical statement of financial position, the pro forma transactions that have been made (further described in Section 6.7) and the pro forma statement of financial position as at 31 December 2015. The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of CRX's view of its future financial position.

| As at 31 December 2015 | Section/pro forma adjustment | CRX Reviewed \$'000 | FirstWave Reviewed \$'000 | Pro Forma Minimum \$'000 | Pro Forma Maximum \$'000 |
|--------------------------------------|------------------------------|---------------------|---------------------------|--------------------------|--------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 6.8 | 114 | 1,093 | 5,290 | 8,089 |
| Trade and other receivables | | 40 | 1,335 | 1,556 | 1,556 |
| Work in progress | | - | 617 | 617 | 617 |
| Other current assets | | 60 | 430 | 430 | 430 |
| TOTAL CURRENT ASSETS | | 214 | 3,475 | 7,893 | 10,692 |
| NON CURRENT ASSETS | | | | | |
| Property, plant and equipment | | - | 185 | 185 | 185 |
| Intangible assets | | - | 1,894 | 1,894 | 1,894 |
| Other non current assets | | - | 466 | 466 | 466 |
| Deferred tax assets | | - | 466 | 466 | 466 |
| TOTAL NON CURRENT ASSETS | | - | 3,011 | 3,011 | 3,011 |
| TOTAL ASSETS | | 214 | 6,486 | 10,904 | 13,703 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | | 462 | 1,386 | 1,379 | 1,282 |
| Borrowings | | - | 153 | 153 | 153 |
| Employee provisions | | - | 344 | 344 | 344 |
| Unearned revenue | | - | 644 | 644 | 644 |
| TOTAL CURRENT LIABILITIES | | 462 | 2,527 | 2,520 | 2,423 |
| NON CURRENT LIABILITIES | | | | | |
| Borrowings | | - | 872 | 225 | 225 |
| Employee provisions | | - | 63 | 63 | 63 |
| Unearned revenue | | - | 881 | 881 | 881 |
| Deferred tax liabilities | | - | 448 | 448 | 448 |
| TOTAL NON CURRENT LIABILITIES | | - | 2,264 | 1,617 | 1,617 |
| TOTAL LIABILITIES | | 462 | 4,791 | 4,137 | 4,040 |
| NET ASSETS | | (248) | 1,695 | 6,767 | 9,663 |
| SHAREHOLDERS EQUITY | | | | | |
| Share capital | 6.9 | 22,842 | 5,837 | 12,501 | 15,321 |
| Reserves | | - | 238 | 238 | 238 |
| Accumulated losses | 6.11 | (23,090) | (4,380) | (5,972) | (5,896) |
| TOTAL SHAREHOLDERS EQUITY | | (248) | 1,695 | 6,767 | 9,663 |

The historical statutory consolidated statement of financial position has been extracted from the reviewed financial statements of CRX and FirstWave for HY2016. The pro forma statement of financial position as at 31 December 2015 reflects the pro forma transactions, the application of the funds from the Offers less the costs associated with the Offers as set out in Section 6.7.

6.7 Pro forma transactions

The following transactions contemplated in this Prospectus which are to take place on or before the 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 2015 and are set out below.

With the exception of the pro forma transactions noted below no other material transactions have occurred between 31 December 2015 and the date of this Prospectus which the Directors consider require disclosure.

Pro forma transactions:

1. The net impact of the sale of the CRX subsidiaries and payment and forgiveness of creditors by CRX following completion of the DOCA;
2. Acquisition of FirstWave by way of the issue of 132,290,810 ordinary shares at a fair value of \$0.20 per share;
3. The issue of between 25 million and 40 million ordinary shares, at \$0.20 per share, amounting to between \$5 million and \$8 million under the Offer; and
4. Total expenses associated with the Offer (including broking, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be between \$1.2 million and \$1.4 million (inclusive of GST) under the minimum and maximum offer. Approximately \$0.8 million has been attributed to the income statement under the minimum and maximum offer with the residual being capitalised against share capital. At 31 December 2015, \$0.42 million of the offer costs (inclusive of GST) had already been incurred.

6.8 Reviewed pro forma cash and cash equivalents

The reviewed pro forma cash and cash equivalents has been set out below:

| | Pro forma adjustment | Pro Forma Minimum \$'000 | Pro Forma Maximum \$'000 |
|--|-------------------------|--------------------------------|--------------------------------|
| Reviewed cash and cash equivalents at 31 December 2015 | | 114 | 114 |
| <i>Pro forma transactions:</i> | | | |
| The net impact of the sale of the CRX subsidiaries and payment of creditors following the DOCA | 6.7.1 | (115) | (115) |
| Cash acquired from the FirstWave acquisition | 6.7.2 | 1,140 | 1,140 |
| Proceeds from shares issued under the Offer | 6.7.3 | 5,000 | 8,000 |
| Payment of the costs relating to the Offer | 6.7.4 | (849) | (1,050) |
| | | 5,176 | 7,975 |
| Pro forma cash and cash equivalents | | 5,290 | 8,089 |

6.9 Share capital

The reviewed pro forma share capital has been set out below:

| | Pro forma adjustment | Pro Forma Minimum \$'000 | Pro Forma Maximum \$'000 |
|--|-------------------------|--------------------------------|--------------------------------|
| Reviewed cash and cash equivalents at 31 December 2015 | | 22,842 | 22,842 |
| <i>Pro forma transactions:</i> | | | |
| Fair value of shares issued in consideration for the aquisition of FirstWave | 6.7.2 | 26,458 | 26,458 |
| Fair value of shares issued under the Offer | 6.7.3 | 5,000 | 8,000 |
| Offer costs capitalised under the Offer | 6.7.4 | (300) | (480) |
| Reverse aquisition accounting | 6.12(b) | (41,499) | (41,499) |
| | | (10,341) | (7,521) |
| Pro forma share capital | | 12,501 | 15,321 |

CRX has entered into a share purchase deed to acquire 100% of the issued share capital of FirstWave. Under the principles of AASB 3: "Business Combinations" FirstWave is the accounting acquirer in the business combination. Therefore, the transaction has been accounted for as a reverse acquisition. Accordingly, the consolidated financial statements of CRX have been prepared as a continuation of the financial statements of FirstWave.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (FirstWave) in the form of equity instruments issued to the shareholders of the legal parent, CRX. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of CRX immediately prior to the business combination.

6.10 Number of shares

| | Pro forma adjustment | Pro Forma Minimum no. of shares | Pro Forma Maximum no. of share |
|---|-------------------------|---------------------------------------|--------------------------------------|
| Reviewed cash and cash equivalents at 31 December 2015 | | 7,495,675 | 7,495,675 |
| <i>Pro forma transactions:</i> | | | |
| Shares issued in consideration for the acquisition of FirstWave | 6.7.2 | 132,290,810 | 132,290,810 |
| Shares issued under the Offer | 6.7.3 | 25,000,000 | 40,000,000 |
| Pro forma number of shares issued | | 164,786,485 | 179,786,485 |

6.11 Accumulated losses

The reviewed pro forma accumulated losses have been set out below:

| | Pro forma adjustment | Pro Forma Minimum \$'000 | Pro Forma Maximum \$'000 |
|--|-------------------------|--------------------------------|--------------------------------|
| <i>Pro forma transactions:</i> | | | |
| <i>The net impact of the sale of the CRX subsidiaries and payment and forgiveness of creditors by CRX following completion of the DOCA</i> | 6.7.1 | 158 | 158 |
| Offer costs expensed under the Offer | 6.7.4 | (453) | (377) |
| Cost of listing | 6.12(b) | (1,139) | (1,139) |
| Reverse acquisition accounting | 6.12(b) | 18,552 | 18,552 |
| | | 17,118 | 17,194 |
| Pro forma accumulated losses | | (5,972) | (5,896) |

6.12. Accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CRX as at 31 December 2015 and the results of all subsidiaries for the year then ended. FirstWave is a standalone entity.

A subsidiary is an entity over which CRX has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a 30 June financial year end.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Subsidiaries are fully consolidated from the date which control is transferred to the Company. They are deconsolidated from the date control ceases.

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control which are transferred using the underlying carrying values of the entity being acquired, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by CRX. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition by acquisition basis, CRX recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the fair value of consideration transferred, over the fair value of CRX's share of net identifiable assets of the subsidiary acquired is recorded as goodwill. If those amounts are less than the fair value of net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Under the principles of AASB 3: "Business Combinations", the transaction between CRX and FirstWave is being treated as a reverse acquisition. FirstWave is the accounting acquirer and CRX is the accounting acquiree. Accordingly, the 30 June 2016 consolidated financial statements of CRX will be prepared as a continuation of the financial statements of FirstWave.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary, FirstWave in the form of equity instruments issued to the shareholders of the legal parent entity, CRX. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of CRX immediately prior to the business combination.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control. As previously explained the consolidated financial statements of FirstWave Cloud Technology Pty Ltd have been prepared as a continuation of the business and operations of FirstWave. The deemed acquirer has accounted for the acquisition of FirstWave Cloud Technology Pty Ltd.

As CRX is a listed entity, it is considered that its fair value is more accurately reflected and that the consideration transferred is \$1 million, resulting in a share listing expense of \$1.1 million (calculated as \$1 million consideration transferred less CRX's net assets (\$90,000)).

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

(d) Financial instruments issued by the company

Issued capital

Ordinary shares are classified as equity.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Financial Assets

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

(g) Impairment of non financial assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset, excluding goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where CRX is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(i) Leases assets

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The interest expense is recognised in the profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are recognised in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease.

(j) Trade and other payables

Trade and other payables are measured at invoiced amount or fair value and represent liabilities for goods and services provided to the Company prior to the balance date and remain unpaid at that time. Payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods or services.

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date, including wages and salaries, annual leave and long service leave. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Contributions are made by the Company to employee superannuation funds which are of the defined contribution type. Contributions to these defined contribution superannuation schemes are recognised as an expense in the period they are payable.

(l) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to CRX and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Email and web license fees

Licence fees are a combination of the licensed product, maintenance and support services and are granted for a period of 12, 36 or 60 months. License fees are recognised on a straight line basis over the term of the license, and deferred revenue recognised for payments in advance.

Telstra support and professional services

Telstra support and professional service revenue is recognised upon completion of services for engagements. Professional services and training revenues are recognised immediately for setup and integration. General fees are recognised based on the percentage of completion, where contracts are on fixed fee terms and quoted based on the number of hours to expected completion.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

Capitalised development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when CRX can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the 5 to 7 year period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development the assets are tested annually for impairment.

(o) Critical accounting estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Company.

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of Assets

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Deferred Tax Asset

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Internally generated software and research costs

Management monitors progress of internal research and development projects. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

Risks



7

7. Risks

7.1 Introduction

There are a number of risks, both specific to the Company and of a general nature, which may either individually, or in combination, adversely affect in a material way the future business, operations and financial performance of the Company and the value of the Shares. Whilst the Company seeks to manage risks to prevent adverse outcomes, many of these risks are outside the control of the Company, the Directors and management.

This Section 7 describes some of the key risks associated with an investment in the Shares. The risks outlined in this section 7 relate to the risks of the Company on a post-Completion basis and therefore include risks relating to FirstWave. These risks have been separated into:

- Risks specific to the Acquisition;
- Risks specific to an investment in the Company; and
- General risks of an investment in the Company.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. This assessment is based on knowledge of Directors as at the Prospectus Date. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

An investment in the Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business. Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

This Section 7 should also be read in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives, financial situation or particular needs, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

7.2 Risks specific to the Acquisition of FirstWave

Conditional Acquisition and Offers

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements. Trading of the Shares on ASX was suspended on 1 April 2015. It is anticipated that the Shares will remain suspended until Completion of the Acquisition, the Offer, recompliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on reinstatement to quotation. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

In the event that the Conditions of the Equity Offer set out in Section 10.6(a) are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Equity Offer and will repay all Application Monies received. In the event that the Equity Offer does not proceed the FirstWave Offer will not proceed.

7.3 Risks specific to an investment in the Company

(a) Reliance on Telstra PSA

FirstWave's primary source of revenue is derived from the licensing and implementation of FirstWave software solutions to parties that have a contractual relationship with Telstra. This arrangement occurs under the Telstra PSA, under which Telstra orders products and services from FirstWave, which it then provides to Telstra's business and government customers. Early termination of the Telstra PSA, will have a material adverse effect on FirstWave's prospects and financial performance.

Telstra has the right to terminate the Telstra PSA, or reduce the services provided under the Telstra PSA, at any time on 30 days' notice, for any reason (including Telstra's convenience). Telstra may also terminate the Telstra PSA for a number of reasons, including:

- (i) material breach of the Telstra PSA by FirstWave not remedied within a specific timeframe;
- (ii) failures by FirstWave under its service level commitments, whether in relation to a single customer or all of its customers;
- (iii) certain change of control events in relation to FirstWave that affect Telstra; and
- (iv) force majeure event, such as war, fire, earthquake or other event not reasonably within FirstWave's control.

In addition, there are a number of risks that are particular to the Telstra PSA, including:

- (i) client and revenue concentration under the Telstra PSA, coupled with significant limitations on FirstWave's ability to contact current customers during or after the term of the Telstra PSA, which in the event of termination of the Telstra PSA could significantly impact FirstWave's ability to market its products and services outside of the Telstra PSA;
- (ii) certain restrictions on the use of certain developed intellectual property, which if not managed appropriately, presents a risk to FirstWave's intellectual property rights in future developments of the FirstWave software;
- (iii) potential financial exposure for breach of service levels, which may result in significant exposure in the event of a "catastrophic" failure of the FirstWave platform;
- (iv) potential financial exposure that extends beyond the contract value, under indemnities given by FirstWave to Telstra in relation to third party claims, intellectual property breaches, privacy and data security breaches and confidentiality breaches, which are not subject to caps or exclusions of liability;
- (v) extensive regulatory obligations, breach of which may result in significant financial exposure to FirstWave or termination of the Telstra PSA.

The term of the Telstra PSA is set to continue until at least 2018, which Telstra may extend to 2020. There is a risk that the Telstra PSA will not be renewed or extended, or although renewed the terms of the agreement are amended to FirstWave's detriment. Any of these events would have a material adverse effect on FirstWave's prospects and financial performance including projected revenue growth.

(b) Concentration of clients

FirstWave has a number of key strategic relationships with channel partners (telecommunication companies) and security vendors. These relationships underpin FirstWave's business model and market strategy. FirstWave delivers most of its services under one contract with one of Australia's pre-eminent telecommunications company. There is a risk that this partner's change in strategy, a breakdown of the relationship, or FirstWave's failure to deliver the required partner outcomes may affect FirstWave's financial performance.

(c) Reliance on key software licences

The provision of the FirstWave software and services requires interaction with the software of third party security software providers, which is deployed and operates in conjunction with the FirstWave platform, delivering a significant portion of the platform's functionality. These software packages are provided under separate licence agreements between FirstWave and its respective suppliers (Software Licences). The FirstWave products and services rely on the continued presence of the functionality delivered under these Software Licences. The Software Licences include additional requirements that apply to FirstWave, and some include change of control provisions that entitle the supplier to terminate if there is a change in the effective control of the company and the supplier's approval has not been obtained.

In the event that any of the Software Licences are terminated, or are not renewed at the expiry of their relevant terms, FirstWave's products and services will be lacking critical functionality. Where the functionality is replaceable, FirstWave would likely incur significant costs in replacing the relevant software packages with alternatives. Where the functionality is not replaceable or the alternative is significantly different from the software provided under the original Software Licences, this could result in breaches of warranties, possible indemnity claims or termination of customer agreements or the Telstra PSA, in whole or in part.

(d) Loss of clients

The Company's primary source of revenue comes from parties who are in contractual relationships with FirstWave (including Telstra). This relationship underpins FirstWave's primary source of revenue and is subject to strict terms and conditions. Termination of this arrangement for whatever reason would have a major impact on projected revenue growth and would lead to a decline in the annuity revenue streams of the Company.

(e) Sufficiency of funding to execute on geographic expansion

The Company's long term business strategy envisages geographic (Asia Pac) and channel expansion. This will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves, funds raised by the Equity Offer and funds generated over time by FirstWave's business will be sufficient to successfully achieve all the objectives of the Company's business strategy.

(f) Sufficiency of funding to execute on development roadmap

FirstWave is competing in a rapidly growing market in competition and partnership with a number of major security vendors and telecommunication partners. This environment can change rapidly and further funding may be required by the Company to accelerate the development roadmap or meet unforeseen challenges. Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. If those funds are not available, the Company may not have sufficient capital resources to meet the unfolding challenges or capitalise on opportunities.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company and FirstWave's business strategy and could have a material adverse effect on the Company's activities.

(g) Business Plan Execution Risk

The business plan and expectations of growth of FirstWave's business are predicated on a complex mix of market analysis, partnerships, underlying proprietary technology and complex commercial and contractual arrangements. Execution of the plan requires an efficient interaction of all parts of FirstWave's business and there are various material risks to execution of the plan within the proposed timeframe and budget. Such risks can cause disruptions to revenue projections, failure to meet service level agreements, delays in implementations and overruns in costs.

(h) Rapid change & market disruption

FirstWave operates in the rapidly growing cloud security market sector. This emerging market sector has been significantly affected by cloud technology disruption and is attracting the interest from most large security vendors. Typically, overseas based players in high growth “hot” information and communications technology sectors have access to large amount of funding at better terms than their Australian based equivalents. As a result, these organisations may “out gun” Australian based developers and marketers such as FirstWave.

(i) Technology and Development Risks

The FirstWave software engineering team is working at the leading edge of cloud security, including cloud gateways and large scale business analytics. FirstWave delivers these solutions against a backdrop of rapid technical change and market consolidation. This means there is always the potential that shifts in technology and business practice may bypass or undercut the proposed solutions. For instance, new technologies could overtake the advancements made by FirstWave which could negatively impact on the financial position and financial performance of FirstWave.

(j) FirstWave’s Technology systems could be disrupted, fail or become obsolete

FirstWave operates with complex technology and high volume Internet gateways. When new versions or enhancements are released, there may be unintended errors or unpredicted issues. If there are defects in FirstWave’s services, FirstWave may lose future sales or customers or incur consequential liabilities.

There is also a risk that potential errors or faults in the technology platform (or its personnel’s use of such technology) could cause errors or failures in service level targets that could potentially lead to compensation being payable to its clients, loss of clients and damage to FirstWave’s reputation, and any of these may have a material adverse effect on FirstWave’s business, operations and financial performance.

(k) Content Security Risks

The performance of content security services and their adoption as a business tool has been based on the effective treatment of “malware” “viruses,” “worms” and similar malicious programs. These threats are constant and evolving. If for any reason the FirstWave solutions do not remain effective, the demand for FirstWave’s services would be significantly reduced, which would negatively affect the Company.

(l) Cloud Security Sector Risk to Growth

FirstWave has identified a series of what it believes are key business drivers in the cloud security industry as well as identifying certain narrower sector issues. There is a risk that these areas and market segments experience either slower than expected growth, or are surpassed in importance by other industry drivers or other market segments. In such situations FirstWave may experience a lower than expected demand for its services.

(m) Technology Risks Engineering and Development Risks

FirstWave’s software engineering team is working at the leading edge of email security, including machine learning algorithms, platforms and applications development. Highly specialised engineers employed or contracted by FirstWave may be enticed away to join competitors. Engineering projects may run over schedule and budget. Some very complex engineering challenges may emerge unexpectedly and cause research and development investment to be lost altogether.

(n) The Company could face increased competition

The industry in which the Company will be involved, post the Acquisition of FirstWave, is highly competitive and is subject to increasing domestic and global competition which is fast-paced and fast-changing.

The Company has no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of the Company's business.

For instance, new technologies could overtake the advancements made by FirstWave which could negatively impact on the financial position and financial performance of the Company. Similarly, aggressive pricing or additional service offerings from competitors could require FirstWave to adjust its own pricing and service offerings to continue to generate business, which could negatively impact on the financial position and financial performance of the Company.

In particular, as part of FirstWave's business strategy it will seek to increase its gross margin. However, the ability to increase gross margin could be negatively affected by competitors' behaviour such as aggressive pricing and intense competition. These behaviours by competitors may not only impede the Company's ability to increase its gross margin, but may actually result in a decrease to the Company's current gross margin.

(o) Competitive risk within Telstra

Telstra supplies multiple solutions and there is a risk that the services provided by FirstWave may be replaced by other offerings. This would have a significant impact on the Company's long term business plans and financial performance.

(p) Service delivery

FirstWave is a party to a number of professional services agreements. These service agreements either rely on the issue of specific statements of work or standard work packages and may include service level targets. Commercial penalties may arise if those targets are not met. This in turn could adversely affect the Company's financial performance.

(q) Management Risk

Management teams can fragment and create stress for employees and customers. As stress levels increase – which happen as a result of many factors – management risks increase. Management risks can be exacerbated in some cases, where managers do not have adequate funding, and where cash consumption increases as a result of increased expenses.

(r) The Company may be unable to retain its key personnel or recruit and retain suitably qualified employees

FirstWave operates in a rapidly growing and competitive sector. It relies heavily on the core competencies of its Directors and other key employees in technical, engineering and sales and marketing. The Company's growth and financial performance may suffer if FirstWave is unable to secure the quality and quantity of new employees or contractors it requires to facilitate its growth due to industry competition for these skills.

(s) The protection of confidential information held by the Company may be compromised

Through the ordinary course of business, FirstWave has access to a range of personal and company data. This may include information such as personal contact details, as well as payment information and bank account details. Disclosure of confidential information or any breach of privacy laws may have an adverse impact on FirstWave's reputation its ability to retain clients and attract new clients. This, together with the risk of breaching FirstWave's confidentiality and privacy obligations under its contracts with third parties, may have an adverse effect on FirstWave's business, operations and financial performance.

(t) Crestal may suffer damage to its reputation and brand

FirstWave's reputation and brand are a key component of its success in winning and retaining contracts, winning clients, maintaining relationships with clients and third party suppliers and attracting and retaining employees.

Reputational damage could arise out of technical failures, failure to deliver contracted outcomes, deterioration in service levels, breach of the law, litigation, information technology system breaches or failure, failures of internal controls, improper conduct. Furthermore, adverse media coverage may have an adverse effect on the Company's business, operations and financial performance.

(u) Crestal's intellectual property rights may be infringed or lost

FirstWave relies on laws relating to trade secrets and copyright to assist to protect its proprietary rights in its internal and customer facing technology platforms. FirstWave also generates revenue through licensing of proprietary technology. Any infringement or loss of FirstWave's intellectual property could result in significant costs, for example in defending claims or making alternative arrangements, and deterioration in FirstWave's competitive position.

FirstWave uses a combination of open source and third party licensed software to develop its own software and network platform, and relies on its ability to protect its intellectual property rights adequately. Failure to do so may result in competitors gaining access to its technology, which would harm the business.

(v) Regulatory environment

FirstWave's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's profitability.

In addition, if regulators took the view that FirstWave had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant reputational damage and adversely impact upon the financial position and financial performance of the Company.

In particular a breach of privacy legislation, including the Privacy Act 1988 (Cth), could result in civil penalties. FirstWave considers that the proper and secure handling and treatment of personal and company data is paramount. This impacts on implementation of FirstWave's cloud security solutions.

(w) Litigation, claims, disputes and regulatory action

The Company and FirstWave may be subject to litigation and other claims and disputes in the course of their business, including employment disputes, contractual disputes with clients, customers or suppliers, indemnity claims.

FirstWave supplies and delivers services to financial and other services which are highly regulated and subject to close scrutiny by regulators. There is a risk that a regulator may find that FirstWave breaches or has breached certain regulations, which could result in damage to FirstWave's reputation, breach of contracts and damages claims, penalties or other regulatory actions, loss of clients or inability to attract new clients.

Litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect FirstWave's business, operations and financial performance.

(x) Insurance

FirstWave engages in a number of advanced and large security installations. Its liabilities are typically restricted under the terms of delivery but any restrictions on professional indemnity or public liability insurance imposed as a result of independent risk assessment or failures may adversely impact on the Company.

7.4 General risks of an investment in the Company

(a) Price of the Shares may fluctuate

There are pricing and other risks associated with any investment in a company listed on a stock market. The price of shares on ASX may rise or fall due to numerous factors which may affect the market performance, including changes in Australian and other international stock markets and investor sentiment, domestic and world economic conditions and outlook, inflation rates, interest rates, employment, taxation and changes to government policy, legislation or regulation.

The market price for the Shares could be volatile or fluctuate in response to a wide range of factors and actual or anticipated events, including variations in the Company's actual financing or operating results and those expected by investors and analysts, change in analysts' recommendations or projections, changes in industry dynamics (including competition and regulation), and other events or factors affecting the operations, financial performance or actual or perceived value of the Company and FirstWave.

Further, the share prices for many companies have in recent times, been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company-specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares.

In the future, the sale of large parcels of Shares may cause a decline in the price at which Shares trade on ASX. No assurances can be given that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of the Company, the Directors, or any other person guarantees the performance of the Shares.

(b) Share market investments

Share market conditions may affect the value of the Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Risk of shareholder dilution

The Company may issue further Shares or other securities in subsequent fundraising. The Company cannot predict the size of future issues or the impact, if any, that future issues of securities will have on the market price of the Shares. Issues of substantial numbers of Shares, or the perception that issue or sales of substantial numbers of Shares could occur, may adversely impact prevailing market prices of the Shares. With any additional issue of Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Share.

Key People, Interests and Benefits






8

8. Key People, Interests and Benefits

8.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance.

| Director and position | Experience |
|---|---|
|  <p>Drew Kelton Independent Non-Executive Chairman & Director</p> | <p>Drew Kelton is a global business leader and professional board director. With over 30 years' experience in the ICT and telecommunications arena, he held senior operational roles in the UK, Europe, India, Australasia and most recently the US. In addition to executive leadership roles in global organisations, he has also been responsible for startups, M&A transactions and the IPO of one of those businesses. Drew would describe himself as a "professional entrepreneur".</p> <p>Drew is Managing Director, Asia Pacific, for US digital transaction management (DTM) company, DocuSign Inc. Previously, Drew was Executive Vice President of T-Mobile USA's Business Markets division where he led the "uncarrier revolution" and turnaround effort for business and enterprise customers. He also held senior leadership roles at telecommunications companies Bharti Airtel and Telstra Corporation, the largest mobile operators in Southeast Asia and Australia respectively.</p> <p>Drew has a BSc degree in Electrical and Electronic Engineering from the University of Western Scotland.</p> |
|  <p>Steve O'Brien Managing Director</p> | <p>Steve has over 20 years' experience working in international business including over 15 years working in the APAC region and has significant experience in senior sales and marketing roles. Steve has also held positions in Consulting and as Company Director during his time working in the International Technology sector including with EDS, NCR and Siemens.</p> |
|  <p>Scott Lidgett Non-Executive Director</p> | <p>Scott Lidgett has been in the IT industry since the mid-1980s. In November 2009, Scott co-formed a new IT security business IPSec Pty Ltd and also serves as Chairman.</p> <p>Scott was co-founder of Lidcam Technology Pty Ltd and Channelworx Pty Ltd. Channelworx, a leading IT distribution business, was acquired by US listed IT giant, Avnet Inc. in November 2007. Prior to Lidcam and Channelworx, Scott worked in corporate sales at Logical Solutions Pty Ltd, the leading reseller of Apple products at the time.</p> <p>Scott holds formal qualifications in Engineering.</p> |



Paul MacRae
Independent
Non-Executive Director

Paul MacRae has a successful history of setting up new businesses in the IT industry in Australia and overseas. Since moving to Australia in 1989 he has been involved with the IT industry at a senior level.

Paul is currently a general manager at Technology One, the largest listed Australian enterprise software company. Paul has a strong background in IT security, application software, software development, outsourcing, cloud computing and transactional systems. His roles have included establishing MessageLabs in Australia, Galileo in New Zealand, setting up and selling a successful SAP consultancy and growing business at a leading HRMS software company.

Paul holds an MBA from University of Strathclyde and a BSC, Chemistry from The University of Glasgow.



David Garnier
Independent
Non-Executive Director

David Garnier has more than 25 years of senior management experience in a number of sectors, including corporate advisory, banking, ICT, digital media and transport.

David is the founder and chairman of New Wave Capital, a Hong Kong based investment bank and corporate advisory firm. He has successfully launched and transacted funding requirements for IT&C, digital media, agriculture and transport companies in the Asia Pacific region. Whilst serving in executive and Non-Executive roles with leading private and public companies in Asia Pacific, David has spent the last 8 years living in Beijing China and has recently moved back to Australia. He is on the board of the Australian Chamber of Commerce in Beijing and serves on the board of a number of private and public companies including Double Eagle Holdings, Top Exel Holdings, New Wave Enterprises Ltd and the Qingdao Innovation Fund. He is an accountant by trade and completed his BCom at Canberra University.



Ted Keating
Independent
Non-Executive Director

Ted Keating followed a twenty-year career in multi-national enterprises, in I.T. Management, with management of a series of successful business start-ups including: Logical Solutions, Channelworx and FirstWave Technology. Ted has also been involved with a variety of emerging cloud-based technologies since the year 2000.



David Nolan
Independent
Non-Executive Director
(to resign post ASX listing)

David Nolan is a corporate lawyer with over 18 years' experience. David's expertise includes mergers and acquisitions, IPOs and capital raisings, venture capital and private equity, restructurings and takeovers, corporate finance, joint ventures, commercial agreements and regulatory and corporate governance advice.

David is a partner in the Sydney Corporate Advisory practice of Kemp Strang Lawyers and was previously a partner of Mills Oakley Lawyers and a senior adviser at the London Stock Exchange. He was previously Chairman of Hastings Technology Metals Limited and Scott Creek Coal Limited and a Non-Executive Director of Winmar Resources Limited, Apollo Minerals Limited and The Ian Thorpe Fountain for Youth.

David Nolan was a director of the Company at the time it entered into voluntary administration and throughout the administration period which ended on 2 December 2015.

David holds a Bachelor of Laws (Hons) and Bachelor of Arts from Bond University, Queensland.



Mr Richard Willson
Independent
Non-Executive Director
(to resign post ASX listing)

Richard Willson is an accountant with more than 20 years' experience in public practice and in various financial management and company secretarial roles within the resources and agricultural sectors for both publicly listed and private companies.




Richard is Company Secretary of ASX listed Aurelia Metals Limited, Chief Financial Officer & Company Secretary of ASX listed Beston Global Food Company Limited, and a Non-Executive Director of ASX listed Aus Tin Mining Limited, and a Non-Executive Director and Company Secretary of the not-for-profit Unity Housing Company.

Richard Willson was a director of the Company at the time it entered into voluntary administration and throughout the administration period which ended on 2 December 2015.

Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.

8.2 Management

FirstWave benefits from a wealth of expertise shared by its management team. The management team brings decades of enterprise technology experience from blue chip Australian and international corporations.

| Name and position | Background |
|---|--|
|  <p>Steve O'Brien Managing Director</p> | <p>Steve O'Brien has over 20 years' experience working in international business, including more than 15 years in the Asia Pacific region, and has significant experience in senior sales and marketing roles. Steve has also held positions in consulting and as Company Director during his time working in the IT sector.</p> |
|  <p>Murray Scott Chief Financial Officer</p> | <p>Murray Scott has over 30 years' experience in senior finance operational positions with Australian and International private and listed corporations including Logical Solutions, Sun Microsystems, LGL and Storage Technology Corporation.</p> <p>Murray has been Chief Financial Officer of FirstWave since 2009. He has specialised in strategic planning, senior operational management, mergers and acquisitions, corporate governance, commercialisation of intellectual property, business process analysis and change implementation.</p> |
|  <p>Simon Ryan Chief Technology Officer</p> | <p>Simon Ryan has over 12 years' experience working in the telecommunications industry, including more than eight years with Telstra Research Laboratories in the areas of artificial intelligence, machine learning and data mining.</p> <p>Simon joined FirstWave in 2007 as CTO and leads dedicated teams of software developers and platform engineers. He is the holder of several Australian and international patents in information retrieval and data classification. Simon has also consulted to patent attorneys as an expert witness and undertaken intellectual property auditing. Simon has lectured in network programming at RMIT University and founded a managed security appliance start-up.</p> <p>Simon holds a Bachelor of Electrical and Computer Systems Engineering (Hons).</p> |



Andrew Chamberlain
Sales Director

Andrew Chamberlain has accumulated more than 20 years' experience in the IT industry. His most recent role prior to FirstWave as Director of Enterprise and Government Sales at Apple, saw him be responsible for the sale of all of Apple's product categories to business & government customers throughout Australia and New Zealand. During his 13 years at Apple, Andrew helped build and develop Apple's enterprise channel relationships with the likes of Telstra, Optus and IBM as well as many other organisations throughout the region.



Roger Carvosso
Portfolio Marketing Director

Roger Carvosso is a seasoned veteran and expert in the IT and Telecommunications industry and markets in Australia and internationally. Roger spent more than 20 years' experience at Telstra Corporation in various roles including senior positions responsible for product strategy, development and marketing for Broadband ISP, IP & Internet connectivity, Hosting and Managed Network Security products for Business, Enterprise, Wholesale, and MNC market segments in Australia, NZ and the Asia Pacific markets. During the dotcom era, he led the development and launch of Telstra's highly-acclaimed nationwide Big Pond Business product and the industry-leading Telstra Internet Direct (TID) services portfolio. In more recent times, in Telstra International, Roger had overall responsibility for Telstra's Global Products portfolio and, in particular, the Telstra Global Network & Security services portfolio for MNC enterprises across the world.

Before joining FirstWave, Roger founded Telconext Consulting, an independent ICT consultancy business specialising in strategic advisory services for telecommunications and service providers. He is passionate about product innovation and exploiting new growth opportunities arising from emerging technologies and creative business models.

Roger holds degrees in Bachelor of Electrical Engineering (UQ) and Masters of Commerce (UNSW).



John-Paul Burgess

Services Director

John-Paul Burgess has more than 20 years of IT services industry experience building and leading teams in professional and customer services across ANZ and Asia in companies such as NCR and Microsoft.

Some of John-Paul's career highlights include: building a security practice of more than 40 consultants and architects for a security consultancy in NSW over an 18-month period during the late 1990s; Regional Professional Services Director for NCR, leading a team of over 70 Cisco and Microsoft engineers, consultants and project managers throughout Asia Pacific Japan; member of Consulting Services Leadership Team for Microsoft Australia and Regional Director for Microsoft Global Practices in Asia Pacific Japan, leading a team of high level Business Development Executives throughout Asia.



Greg Maren

Telstra Client Executive

Greg Maren was one of the founders of FirstWave. Greg influenced much of the strategic product development for FirstWave, forging the initial association with Telstra and maintaining a pivotal role in the development of that account. He retains the position of Telstra Account Director today.

Greg came to FirstWave Technology after 12 years as a Director and owner of Lidcam Technology and Channelworx. Channelworx, a leading IT distribution business, was acquired by US listed IT giant, Avnet Inc. in November 2007.

8.3 Interests and benefits

This Section 8.3 sets out the nature and extent of the interests and benefits of certain persons involved in the Offers. Other than as set out below or elsewhere in this Prospectus, no:

- Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promoter of the Company,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers;
- or the Offers,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offers or to any Director or proposed Director to induce them to become, or qualify as, a Director.

8.4 Directors' interests and remuneration

(a) Non-Executive Director remuneration

Under the Constitution, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The aggregate amount of Directors' fees as at the date of this Prospectus is \$343,500, noting that \$31,500 of this amount will no longer be payable following Completion upon the resignation of Andrew Phillips and Richard Willson and that payment of the remaining \$312,000 is subject to shareholder approval being obtained at the General Meeting to increase the director fee pool to \$400,000. The total director fees payable are as follows:

| Director | Remuneration |
|-----------------|--------------|
| Drew Kelton | \$120,000 |
| Steve Obrien | Nil* |
| Scott Lidgett | \$48,000 |
| Paul MacRae | \$48,000 |
| David Garnier | \$48,000 |
| Ted Keating | \$48,000 |
| David Nolan | Nil** |
| Richard Willson | \$15,000*** |
| Andrew Phillips | \$16,500*** |

*Steve O'Brien is remunerated with Director Options (the terms of which are summarised in Section 8.5) and separately as Managing Director (refer to Section 8.6(a))

**David Nolan is a partner at Kemp Strang Lawyers. Kemp Strang Lawyers acted as legal adviser to the Company prior to the Company's execution of the Share Sale Agreement.

***This is a fixed fee arrangement for the period of Andrew and Richard's directorships with the Company. Richard Willson also received 142,858 Shares in the Company as part of his remuneration.

On Completion, the New Directors will also receive 13,800,000 Director Options to subscribe for Shares in the Company. A summary of the option terms is set out below at section 8.5.

It is noted that Mr David Nolan is a partner at Kemp Strang Lawyers. Kemp Strang Lawyers acted as legal advisers to the Company prior to the Company's execution of the Share Sale Agreement.

(b) Directors' interests in Shares and other securities

The Directors' interests in Shares upon Completion are set out below:

| Director | Shares held on Completion | Director Options held on Completion |
|-----------------|---------------------------|-------------------------------------|
| Drew Kelton | 390,625 | 4,200,000 |
| Steve Obrien | 156,250 | 4,800,000 |
| Scott Lidgett* | 19,654,847 | 1,200,000 |
| Paul MacRae | 1,634,888 | 1,200,000 |
| David Garnier | 1,449,430 | 1,200,000 |
| Ted Keating | 6,639,174 | 1,200,000 |
| David Nolan | 162,890 | Nil |
| Richard Willson | 142,858 | Nil |
| Andrew Phillips | Nil | Nil |

*Some of the Shares held by Drew Kelton, Steve O'Brien, Scott Lidgett, Paul MacRae, David Garnier and Ted Keating will be issued under the Share Sale Agreement in consideration for the Company's acquisition of the shares that they and their associates hold in FirstWave. A summary of the Share Sale Agreement is set out in Section 10.6(a).

The Directors are entitled to apply for Shares under the Equity Offer.

The Company acknowledges that the New Directors are also directors of FirstWave and that it is bound by the terms of the Share Sale Agreement entered into with the Vendors and FirstWave. To the extent that the Company is asked to consider its position under the Share Sale Agreement, the New Directors will follow proper and appropriate corporate governance procedures set out under the Corporations Act and the Company's corporate governance practices summarise in section 8.8 and 8.9.

(c) Deeds of indemnity, insurance and access

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm and extend the Director's statutory and general law rights of access to Board papers and the books and records of the Company and its wholly-owned subsidiaries. The deeds provide that the Director be allowed access to and a copy of records in certain circumstances.

The Company must indemnify any current and former directors and officers of the Company and its subsidiaries against any liability incurred by that person in that capacity, including legal costs, for the period from when the person becomes a director or officer until seven years after the person ceases to be a director or officer of the Company or its subsidiaries. Accordingly, the deed also requires the Company to indemnify the Director for liability incurred as an officer of the Company and its wholly-owned subsidiaries, to the maximum extent permitted by law. The deed provides that the Company must advance to the Director, costs reasonably incurred by the Director in conducting or defending certain proceedings.

The deed requires the Company to maintain, to the extent permitted by law, an insurance policy which insures the Director against liability as a director and officer of the Company and its wholly-owned subsidiaries from the date of the deed until the date which is seven years after the Director ceases to hold office as a director of Crestal or its wholly-owned subsidiaries of the Company.

8.5 Director Options

The Company will grant up to 13,800,000 options to the New Directors as detailed above in section 8.4(b) at Completion for nil cash consideration and accordingly no funds will be raised as a result of the issue. The primary purpose of granting the Director Options is to provide cost effective consideration to the New Directors for their commitment and contribution to the Company in their respective roles as New Directors. The vesting conditions and the exercise prices for the Director Options (which is greater than 20 cents in all cases) are set out in the AGM Notice of Meeting. The other terms and conditions of the Director Options are set out as follows:

| | |
|----------------------------------|---|
| Date of allocation | <p>Subject to the comment below, each Director Option will be allocated and issued on Completion (but in any event no later than 3 months after the date of the General Meeting).</p> <p>Director Options will be allocated and issued within 3 months of the Company's General Meeting where shareholder approval is obtained for the issue of the Director Options. In that case, those Director Options will lapse if Completion does not occur (as indicated below). The dates on which Director Options will become exercisable will not change.</p> |
| Vesting arrangements | None of the Director Options shall become exercisable prior to their applicable vesting date. Refer to the AGM Notice of Meeting for details. |
| Conversion | Each Director Option converts into one fully paid ordinary Share. |
| Exercise Period | Each Director Options will have an exercise period of 5 years commencing on the date that Director Option becomes exercisable, subject to the conditions set out in the AGM Notice of Meeting. |
| Lapse | <p>In the case of Drew Kelton and Steve O'Brien, if they cease to be a Director of the Company in the ordinary course of business, any Director Options issued to them which have not become exercisable will automatically lapse on the date they cease to be a director of the Company.</p> <p>In the case of David Garnier, Paul MacRae, Ted Keating and Scott Lidgett, if they cease to be a Director of the Company in the ordinary course of business, any Director Options issued to that Director which have not become exercisable will automatically lapse on the date which is 12 months from the date on which the Director ceases to be a Director of the Company.</p> <p>If a Director ceases to be a Director of the Company because the Board of the Company considers the Director has acted fraudulently, negligently or improperly, any Director Options issued to that Director which have not become exercisable will automatically lapse on the date the Director ceases to be a Director of the Company. Director Options will be allocated and issued within 3 months of the General Meeting. The Director Options will lapse if Completion does not occur.</p> |
| Participation rights | The Director Options do not carry any participation rights in new share issues. |
| Shares to rank pari passu | All Shares issued upon exercise of the Director Options, and payment of the relevant exercise price to the Company, will rank pari passu in all respects with the Company's then issued Shares. The Director Options will be unlisted. No quotation will be sought from ASX for the Director Options |
| Capital Reorganisation | In the event of a reorganisation of the capital of the Company, the rights attaching to each Director Option will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation |
| Restrictions on transfer | A Director Option is not capable of being transferred, sold, mortgaged, charged, hedged or made subject to any margin lending arrangement or otherwise disposed of or dealt with or encumbered in any way, and a Director Option will lapse immediately if any such thing purports to occur. |
| Takeover | Where there is a takeover bid made for shares in the Company or a scheme of arrangement is proposed in relation to the Company, the Board may consider whether, and may in its absolute discretion determine that all or a part of the participant's unvested Director Options will become vested. In such circumstances, the Company must promptly notify each holder in writing that he or she may, within the period specified in the notice, exercise vested Director Options. |

8.6 Executive employment arrangements

(a) Managing Director

FirstWave has entered into a contract with Steve O'Brien to govern his engagement as Managing Director. The material terms of this contract are as follows:

- (i) an entitlement for Steve O'Brien to receive a fixed annual payment of \$270,000 inclusive of superannuation;
- (ii) eligibility to participate in FirstWave's short term incentive plan subject to the achievement key performance indicators;
- (iii) either party may terminate the agreement by giving the other party 6 months' notice in writing. The Company may require Steve O'Brien not to provide services during this notice period; and
- (iv) upon any termination of the contract, Steve O'Brien will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

Steve O'Brien is also entitled to receive 4,800,000 Director Options or his services as a director of the Company, as summarised in section 8.5.

(b) Other senior management

FirstWave's senior management are employed under individual employment agreements with the Company. These agreements provide for:

- (i) total compensation including a base salary and superannuation contribution to a fund of the individual's selection;
 - (ii) termination notice provisions; and
 - (iii) restraint of trade provisions, the enforceability of which is subject to usual legal requirements.
- (c) Employee Share Option Plan

The Company intends on commencing an employee share option plan ("Incentive Plan") to assist in the motivation, retention and reward of Eligible Persons and aligning the interests of Shareholders by providing an opportunity for Eligible Persons to receive an equity interest in the Company. Shareholder approval for the Incentive Plan will be sought at the General Meeting to be held on 15 April 2016. Under the proposed Incentive Plan, Eligible Persons may be entitled to receive Share Rights or Incentive Options. The key terms of the proposed Incentive Plan are as follows:

| | |
|---|--|
| Eligibility | The Board may invite full or part time employees, contractors and directors (or prospective employees, contractors or directors) of the Company or a Subsidiary of the Company to participate in the Incentive Plan ("Eligible Person"). |
| Offer of Incentive Options or Share Rights | <p>An offer to an Eligible Person for Incentive Options or Share Rights ("Incentive Offer") must be in writing and must specify:</p> <ul style="list-style-type: none"> • the date of the Incentive Offer; • the maximum number of Incentive Options or Share Rights which may vest to the Eligible Person, or alternatively how that maximum number will be calculated; • that Incentive Options or Share Rights (as the case may be) will be granted for no cash consideration; • in the case of Incentive Options, the exercise price for each Incentive Option or the manner in which this price will be calculated upon exercise; |

| | |
|--|--|
| | <ul style="list-style-type: none"> any other terms and conditions relating to the Incentive Offer which in the opinion of the Board are fair and reasonable but not inconsistent with the rules of the Incentive Plan; and the time and date by which the Incentive Offer closes and a form for acceptance of the Incentive Offer must be received returned to the Company. |
| Conversion | Each Incentive Option and each Share Right converts into one fully paid ordinary share in the capital of the Company upon vesting. |
| Consideration and exercise price | Each Incentive Option and Share Right will be granted for no cash consideration. In respect of an Incentive Option, the exercise price shall be determined by the Board and included in the Incentive Offer giving rise to that Incentive Option, as amended pursuant to the terms of the Incentive Plan. |
| Vesting Conditions | An Incentive Offer may specify any vesting conditions, or other vesting events, which must be satisfied before an Incentive Option or Share Right vests. |
| Exercise of Share Rights | <p>The holder of an Incentive Option may exercise an Incentive Option during the relevant exercise period, by:</p> <ul style="list-style-type: none"> giving to the Company a signed exercise notice; and paying the exercise price (if any) multiplied by the number of Incentive Options being exercised. |
| Conversion of Share Rights to Shares | Subject to the terms of the Incentive Offer made, a Holder's Share Rights will convert into Shares and Shares will automatically be issued to a Holder once all vesting conditions (including performance measures (if any)) have been satisfied. |
| Incentive Options and Share Rights only vest if vesting conditions/events satisfied | An Incentive Option or Share Right will only vest on the occurrence or satisfaction of the condition or other vesting events specified in respect of that Incentive Option or Share Right (as the case may be). |
| Lapse of Incentive Options or Share Rights | <p>If a Holder ceases to be an Eligible Person:</p> <ul style="list-style-type: none"> all unvested Incentive Options of the Holder will automatically lapse on the date the Holder ceases to be an Eligible Person and all rights in respect of those Incentive Options will be lost; all Share Rights which have not converted into Shares will be cancelled the date the Holder ceases to be an Eligible Person and all rights in respect of those Share Rights will be lost; <p>unless the Board notifies the Holder that they are allowed to retain some or all or his or her Incentive Options or Share Rights (as the case may be).</p> |
| Participation in Rights Issues and Bonus Issues | The Incentive Options and Share Rights do not carry any participation rights in new Share issues. |
| Reorganisation | In the event of a reorganisation of the capital of the Company, the rights attaching to each Incentive Option and each Share Right will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation |
| Ranking | All Shares issued upon exercise of Incentive Options or conversion of Share Rights will rank pari passu in all respects with the Company's then issued Shares. The Incentive Options and Share Rights will be unlisted. No quotation will be sought from ASX for the Incentive Options or Share Rights. |

8.7 Interests of advisers

The following professional advisers have been engaged by Crestal and FirstWave in relation to the Offers:

- Wentworth has acted as Lead Manager in relation to the Equity Offer. FirstWave has agreed to pay the Lead Manager fees as calculated in accordance with the Wentworth Mandate outlined to in Section 10.6(c). Wentworth has also been engaged by FirstWave under the New Wentworth Mandate outlined in Section 10.6(c).

Wentworth received compensation from the Company within the last two years in connection with:

- (i) provision of general advisory services. Compensation for those services paid by the Company to Wentworth was cash of \$15,000 (plus GST);
- (ii) provision of advisory services in relation to the Deed of Company Arrangement entered into by the Company in 2015. The compensation paid for those services by the Company to Wentworth was cash of \$175,000 (plus GST);
- (iii) the Company's acquisition of an interest in the Covenant Mondo Joint Venture (**CMJV**). The compensation paid by the Company was as follows:
 - o cash of \$80,000 (plus GST);
 - o approximately 4,316 (post-consolidation) ordinary fully paid shares in the Company; and
 - o an over-riding royalty of 2.58% on the well-head value of any production arising from the Company's working interest in the CMJV.
- Moelis has acted as Co-Manager in relation to the Equity Offer. The Lead Manager will pay Moelis a fixed fee of \$300,000 (plus GST) pursuant to the Moelis Mandate.
- Gadens has acted as the solicitors to FirstWave and the Company in relation to the Offers. The Company estimates it will pay Gadens a total of approximately \$200,000 (plus GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates.
- Grant Thornton Corporate Finance Pty Ltd has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Section 9. The Company has paid, or has agreed to pay, Grant Thornton Corporate Finance Pty Ltd approximately \$125,000 (excluding GST) for these services. Grant Thornton Audit Pty Ltd has acted as auditor to the Company and FirstWave.

8.8 Corporate governance

This Section 8.8 explains how the Board oversees the management of the Company's business.

The Board is responsible for:

- establishing and monitoring key performance goals of the Company;
- monitoring the operational and financial position and performance of the Company; and
- overseeing its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of FirstWave.

In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and personnel operate in an appropriate environment of good corporate governance.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company's adherence to the Third Edition of the ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) is detailed below and is set out in the Corporate Governance Statement available on FirstWave's website at www.firstwave.com.au. Copies of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.firstwave.com.au.

(a) The Board

The Board of Directors post listing will initially be comprised of 6 directors, five of whom are Non-Executive Directors and four of whom are independent. Upon the resignation of Andrew Phillips, David Nolan and Richard Willson, the Board will comprise:

- Drew Kelton (Independent Chairman Elect)
- Steve O'Brien (Managing Director)
- Scott Lidgett (Non-Executive Director)
- Edward Keating (Independent Non-Executive Director)
- Paul MacRae (Independent Non-Executive Director)
- David Garnier (Independent Non-Executive Director)

Each New Director has confirmed to the Company that he anticipates being available to perform his or duties as a Director without constraint from other commitments.

The Board considers an independent Director to be an Independent Non-Executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement.

The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Nomination and Remuneration Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining 'independence' on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of The Company.

The Board considers that each of Drew Kelton, Paul MacRae, Edward Keating and David Garnier is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and is able to fulfil the role of independent Director for the purpose of the ASX Recommendations. Scott Lidgett and Steve O'Brien are currently considered not to be independent by the Board. Accordingly, upon Listing, the Board will consist of a majority of independent Directors.

(b) Board Charter

The Board Charter has been adopted to provide a framework for the effective operation of the Board. The Board Charter sets out the:

- Board's composition;
- role and responsibilities of the Board;
- role and responsibilities of the Chairperson and Company Secretary;
- relationship between the Board and management;
- procedure for the conduct of Board meetings. The Board's role includes:
 - o representing and serving the interests of Shareholders by overseeing and assessing the Company's performance, strategic direction and policies;
 - o optimising the Company's performance to build sustainable value for Shareholders;
 - o reviewing the Company's compliance with the Company's values and its governance framework; and
 - o ensuring that Shareholders are kept informed of the Company's performance.

The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

(c) Board Committees

Pursuant to the Board Charter and the ASX Recommendations, the Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. Currently, the Board has established the following committees:

- Audit, Risk and Compliance Committee (ARCC);
- Nomination and Remuneration Committee (NRC); and
- Other specialists committees as required (such as the continuous disclosure committee).

(d) Audit, Risk and Compliance Committee

As part of the Board's plans to fulfill its obligations, the ARCC has been constituted to facilitate:

- the effective operation of systems and controls which minimises financial and operational risk;
- reliable financial and management reporting policies and procedures;
- compliance with laws and regulations;
- the effective management of risk through the adoption of mitigation strategies;
- maintenance of an effective and efficient internal and external audit process;
- oversight of the accounting and financial reporting processes of the Company; and
- the audit of the Company's financial statements.

The ARCC provides advice to the Board and reports on the status and management of the risks to The Company. The purpose of the ARCC's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The ARCC Terms of Reference provide that the ARCC should comprise of a minimum of three directors, all of whom are Non-Executive Directors, and a majority of whom are independent.

A member of the ARCC, who does not chair the Board, shall be appointed the chair of the committee. The Board will appoint a chair of the ARCC who is to be an independent director.

The ARCC is to meet as often as is required by the Board or as it may determine. The ARCC may invite other

Directors, members of senior management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. The ARCC will regularly report to the Board about committee activities, issues and related recommendations.

The ARCC comprises Edward Keating, David Garnier and Drew Kelton.

The Board has adopted a policy regarding the services that the Company may obtain from its auditor. It is the policy of the Company that its external auditor:

- must be independent of the Company and the Directors and senior executives. To ensure this, the Company requires a formal report from its external auditor on an annual basis setting out the relationships that may affect its independence; and
- may not provide services to the Company that are, or are perceived to be, materially in conflict with the role of the external auditor.

Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgment or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are not, and are not perceived to be, materially in conflict with the role of the auditor if the Board or ARCC has approved those additional services.

(e) Nominations and Remuneration Committee

The role of the NRC is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resources objectives. The NRC is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

Specifically, the NRC focuses on:

- assessing the skills and competencies desired and required on the Board;
- from time to time assessing the extent to which the required skills are represented on the Board and set a transparent process to review whether those requirements are being met;
- considering and recommending to the Board nomination, selection and induction of Independent Non-Executive Directors;
- considering and recommending to the Board succession plans for Independent Non-Executive Directors;
- establishing and monitoring strategies on gender diversity for the Company as they relate to the Board and its Committees;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- recommending the appointment and removal of directors;
- other relevant matters identified from time to time by the Board; and
- reviewing and making recommendations to the Board in respect of:
 - o an executive remuneration and incentive policy;
 - o the remuneration of the Managing Director and any other executive director, the company secretary, Chief Financial Officer (CFO), all senior executives reporting directly to the Managing Director and all staff;
 - o an executive incentive plan;
 - o an equity based incentive plan;
 - o the remuneration of Independent Non-Executive Directors;

- o superannuation arrangements;
- o succession of Key Management Personnel and key staff succession plans;
- o recruitment, retention and termination strategies;
- o remuneration by gender, including representation of women at all levels of the organisation;
- o recruitment, retention, performance measurement and termination policies and procedures for Independent Non-Executive Directors, the Managing Director and any other executive director, the company secretary, the CFO and all senior executives reporting directly to the Managing Director;
- o the disclosure of remuneration in the Company's public materials including ASX filings and the annual report; and
- o other relevant matters identified from time to time by the Board.

The Charter of the NRC provides that the committee should comprise of at least three members, a majority of whom are independent directors. An independent director shall be appointed the chair of the committee. The NRC committee comprises Scott Lidgett, Paul MacRae and Drew Kelton and is chaired by Drew Kelton.

The Company has elected not to adopt a skills matrix for directors (as recommended by ASX in its Corporate Governance Principles and Recommendations). The Company considers that selection of Board members is appropriately based on experience and knowledge and commitment to the highest ethical and governance standards. The current Board is comprised of individuals with a wide range of financial, business and technology skills for the execution of their duties.

The NRC will meet as often as is required, but not less than twice a year. The NRC may invite other Directors, members of senior management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. The chairman, or delegate, of the Nomination and Remuneration Committee will report to the Board following each meeting.

8.9 Corporate Governance Policies

(a) Securities trading policy

The Company has adopted a Securities Trading Policy, which will apply to the Company and its Directors, senior management and employees of, and contractors to, the Company.

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in company securities that is prohibited under the Corporations Act and establish procedures for dealing in company securities.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain “closed periods” during which trading in Shares by the Company’s directors, senior management and employees is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing from the Company’s financial half year end until the announcement of the Company’s half-year financial results are released to the ASX; and
- the period commencing from the Company’s financial year end until the announcement of the Company’s annual financial results.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information in a manner contrary to the Corporations Act.

(b) Continuous disclosure and communications policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. the Company will be required to disclose to the ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company’s securities.

The Board aims to ensure that Shareholders and stakeholders are informed of all major developments affecting the Company’s state of affairs. As such, the Company has adopted a Continuous Disclosure and Communications Policy, which establishes procedures to ensure that Directors, senior management and employees are aware of, and fulfil their obligations in relation to, providing timely, full and accurate disclosure of material information to the Company’s stakeholders and comply with the Company’s disclosure obligations under the Corporations Act and Listing Rules. The Continuous Disclosure and Communications Policy also sets out procedures for communicating with Shareholders, the media and the market.

(c) Communications with Shareholders

The Board’s aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all other information with the ASX required by the Company’s continuous disclosure obligations and publishing information on the Company’s website at www.firstwave.com.au.

In particular, the Company’s website will contain information about it, including media releases, key policies and all material written information provided to investors or stockbroking analysts. All announcements made to the market and any other relevant information will be posted on the Company’s website at www.firstwave.com.au as soon as they have been released to the ASX.

(d) Corporate Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Corporate Code of Conduct, which sets out the way the Company conducts business. The Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The Corporate Code of Conduct outlines directors', senior executives' and employees' obligations of compliance with the Corporate Code of Conduct in performing their duties to ensure the Company maintains its reputation as an exemplary corporate citizen. Responsibilities include protection of the Company's business, using the Company's property and information in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

(e) Diversity policy

The Company's workforce is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected. The Company acknowledges the positive outcomes that can be achieved through a diverse workforce and recognises and utilises the contribution of diverse skills and talent from its workforce.

(f) Related Party Transactions Policy and Procedures

The Company is required to comply with the related party transactions provisions of the Corporations Act and the ASX Listing Rules which relate to transactions with persons in a position of influence. To create a strong framework for compliance with those legal requirements, the Board has adopted a policy for the handling of, and the procedures for dealing with, related party transactions and transactions involving a person in a position of influence.

The ARCC is required to consider all proposed related party transactions and transactions with persons in a position of influence for compliance with the Related Party Transactions Policy and make a recommendation to the Board regarding whether and how to proceed with a proposed related party transaction.

The Board will consider the information provided by the ARCC and determine whether the transaction requires any shareholder approval under the Corporations Act or the ASX Listing Rules. The Board is also required to consider whether any disclosure is required under the ASX Listing Rules and/or the Company's annual report.

8.10 Compliance with ASX Corporate Governance Principles and Recommendations

The Board has adopted corporate governance policies and practices which are in accordance with the ASX Corporate Governance Principles and Recommendations, save for ASX Recommendation 2.2 regarding the adoption of the directors skills matrix. Refer to the corporate governance statement set out on the FirstWave website at www.firstwave.com.au for further detail.

Independent Limited Assurance Report



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Board of Directors
Crestal Petroleum Limited (to be renamed FirstWave Cloud
Technology Limited)
Wentworth Global Capital Partners Pty Ltd
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1 April 2016

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON THE HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

We have been engaged by Crestal Petroleum Limited (to be renamed FirstWave Cloud Technology Limited) (“CRX”, or the “Company”) to report on the Historical and Pro forma Historical Financial Information of the Company for inclusion in a Prospectus (the “Prospectus”) to be dated on or about 1 April 2016, and to be issued by CRX in respect to the offer of shares in the Company (“Public Offer”).

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

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds an Australian Financial Services Licence (AFS Licence Number 247140). 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**.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Scope of this Report

You have requested Grant Thornton Corporate Finance to review the following Financial Information included in the Prospectus:

Historical Financial Information

The Historical Financial Information of CRX, as set out in the Prospectus comprises:

- The consolidated historical income statements for FY2014, FY2015 and HY2016;
- The consolidated historical statement of cash flows for FY2014, FY2015 and HY2016; and
- The consolidated historical statement of financial position as at 31 December 2015.

The Historical Financial Information of CRX has been extracted from the audited and reviewed financial statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) which were audited and reviewed by Grant Thornton Audit Pty Ltd. An unmodified audit opinion was issued for FY2014. A modified audit opinion/review report was issued for FY2015 and HY2016 respectively in relation to an emphasis of matter regarding the realisation basis of accounting due to the restructure and recapitalisation as a consequence of the DOCA.

The Historical Financial Information of Firstwave Technology Pty Ltd (“Firstwave”), as set out in the Prospectus comprises:

- The historical income statements for FY2014, FY2015 and HY2016; and
- The historical statement of cash flows for FY2014, FY2015 and HY2016.

The Historical Financial Information of Firstwave has been extracted from the audited and reviewed financial statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) which were audited by Linkara Group Pty Ltd for FY2014 and FY2015 and reviewed by Grant Thornton Audit Pty Ltd for HY2016 who issued an unmodified audit opinion/review report in respect of these periods.

Pro Forma Financial Information

- The pro forma historical statement of financial position as at 31 December 2015 of CRX,

(Hereafter the “Historical Financial Information”).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in **section 6.7** of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, or cash flows.

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

This report has been prepared for inclusion in the Prospectus. Grant Thornton Corporate Finance disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Prospectus.

Directors' Responsibility

The Directors of CRX are responsible for the preparation and presentation of the Historical Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in **section 6.7** of the "Financial Information" section and the basis of preparation of the Historical Financial Information.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the Directors determine necessary to enable the preparation of the Historical Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the 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 3420: *"Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document"* and ASAE 3450: *"Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information"*. Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Historical Financial Information.

These procedures are 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 an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Conclusion***Historical Financial Information***

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information of CRX and Firstwave as described in the “Financial Information” section of the Prospectus does not present fairly:

- The audited and reviewed consolidated historical income statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for CRX;
- The audited and reviewed historical income statements for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for Firstwave;
- The audited and reviewed consolidated historical statement of cash flows for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for CRX;
- The audited and reviewed consolidated historical statement of cash flows for FY2014 (audited), FY2015 (audited) and HY2016 (reviewed) for Firstwave;
- The reviewed consolidated historical statement of financial position as at 31 December 2015 of CRX;
- The pro forma consolidated historical statement of financial position as at 31 December 2015 of CRX; and
- The Pro Forma Transactions set out in **Section 6.7** of the “Financial Information” section are a reasonable basis for the pro forma statement of financial position as 31 December 2015;

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements under the AIFRS as if the Pro Forma Transactions set out in **Section 6.7** of the “Financial Information” section had occurred at 30 June 2015.

Restriction on Use

Without modifying our conclusion, we draw attention to the “Financial Information” section, which describes the purpose of the Historical Financial Information, being for inclusion in the Prospectus. As a result, the Historical Financial Information may not be suitable for use for another purpose.

**Consent**

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

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

Tim Goodman
Authorised Representative

Conor Farley
Partner – Audit & Assurance

Appendix A (Financial Services Guide)

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This Financial Services Guide is dated 1 April 2016.

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 Crestal Petroleum Limited (to be renamed FirstWave Cloud Technology Limited) (“CRX”, or the “Company”) to provide a report in the form of an Independent Limited Assurance Report for inclusion in a Prospectus dated on or about 1 April 2016 (“the Prospectus”) relating to the offer of shares in CRX (“the Issue”). 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.

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.

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 to 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.

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.

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who 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 our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Company amount to \$125,000 plus GST.

Associations with issuers of financial products

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Audit Pty 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. Grant Thornton Audit Pty Ltd is the current auditor of both CRX and Firstwave.

Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National 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 the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
 Melbourne, VIC 8007
 Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this 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.

Contact Details

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Additional information



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10. Additional information

FirstWave was registered in New South Wales, Australia on 3 December 2001. Crestal was also registered in New South Wales on 21 June 2010.

10.1 Company tax status

The Company will be taxed as a public company for the purpose of Australian income tax law.

10.2 Ownership restrictions

The sale and purchase of shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This section 10.2 contains a general description of these laws.

(a) Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (Substantial Interest), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest).

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders and civil penalties unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

(b) Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Crestal either themselves or through an associate.

10.3 Rights and liabilities attaching to Shares

The rights and liabilities attaching Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of Crestal; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The following is a summary of the principal rights of the holders of Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders under the Constitution.

(a) Meetings of Shareholders and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

(b) Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) and one vote for each Share held on a poll. Where there are two or more joint holders of a Share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders.

Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by:

- (i) at least five Shareholders entitled to vote on the resolution;
- (ii) Shareholders with at least 5% of the votes that may be cast on the resolution; or
- (iii) the Chairman.

If the votes are equal on a proposed resolution, the Chairman has a casting vote on a show of hands.

(c) Dividends

The Directors may from time to time pay dividends to Shareholders out of the profits of the Company. The Directors may pay any interim and final dividends which, in their judgement, the financial position of the Company permits. The Board may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attaching to any shares, dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held.

(d) Issues of Shares

Subject to the restrictions on the issue of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act, the Directors may issue, grant options in respect of, or otherwise dispose of further shares to any person or such terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

(e) Variation of class rights

Subject to the Corporations Act and their terms of issue, the rights attached to a class of shares may be varied with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or by a special resolution passed at a separate meeting of the holders of shares in that class. In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

(f) Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors or, while the Company is listed on ASX, Shares can be transferred electronically in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules. The Directors may refuse to register a transfer of Shares, including in circumstances where the transfer is not in registrable form, or the refusal to register the transfer is permitted by the ASX Listing Rules or the Corporations Act. The Directors must refuse to register a transfer of Shares where required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASX Settlement Operating Rules. Subject to the ASX Listing Rules, Shares are freely transferable.

(g) Sale of non-marketable parcels

The Directors may cause the Company to sell a Shareholder's Shares if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

(h) Winding up

Subject to the Constitution and any special resolution or rights or restrictions attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the shares held by them.

(i) Directors – appointment and removal

The minimum number of Directors is three and the maximum is fixed by the Directors but may not be more than 11, unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) may hold office beyond the third annual general meeting following the meeting at which they were last elected or re-elected (whichever is later) without Shareholders approving their reappointment.

(j) Directors – voting

Questions arising at a meeting of Director will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

(k) Directors’ and officers’ indemnities

The Company, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been an executive officer of the Company or a Director, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine (each an “Officer”), against any liability (including costs and expenses) incurred by that person as an Officer of the Company or a related body corporate of the Company to the extent permitted by law.

The Company, to the extent permitted by law, may insure an Officer against a liability incurred by the Officer as an officer of the Company or any of its related bodies corporate including, but not limited to, a liability or negligence or for reasonable costs or expenses incurred in defending proceedings whether civil or criminal and whatever the outcome.

The Company has entered into deeds of access and indemnity with each Director which confirm the Directors’ right of access to Board papers and require the Company to indemnify the Director for a liability incurred as an officer of the Company or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution.

(l) Variation of the Constitution

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution. At least 28 days’ written notice specifying the intention to propose the resolution must be given to Shareholders.

10.4 Crestal options

The Company has 10,621 Crestal Options on issue, described below:

| Number | Class of unquoted securities |
|---------------|--|
| 1,328 | Crestal Options expiring 5 March 2018 (exercisable at \$301.20) |
| 996 | Crestal Options expiring 17 September 2017 (exercisable at \$301.20) |
| 4,980 | Crestal Options expiring 31 December 2016 (exercisable at \$140.06) |
| 3,317 | Crestal Options expiring 17 September 2017 (exercisable at \$301.20) |

Details of the option terms are set out in the Company’s previous ASX announcements.

10.5 Legal proceedings

(a) Crestal

Crestal may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, so far as the Directors are aware, there are no legal proceedings to which Crestal is a party that is likely to have a material adverse impact on its business, operations or future financial results, and the Directors are not aware of any such legal proceedings that are pending or threatened.

(b) FirstWave

So far as the Directors are aware, there are no legal proceedings to which FirstWave is a party that is likely to have a material adverse impact on its business, operations or future financial results, and the Directors are not aware of any such legal proceedings that are pending or threatened.

10.6 Material Contracts

Set out below are summaries of the more important provisions of contracts to which the Company and FirstWave are a party to and which are or may be material in terms of the Offers or the operations of the Company or FirstWave or otherwise are or may be relevant to an investor who is contemplating the Offers.

(a) Share Sale Agreement

On 24 February 2016, the Directors of the Company entered into a Share Sale Agreement with the Vendors to acquire 100% of the issued share capital of FirstWave. Completion of the Acquisition pursuant to the agreement is conditional on the satisfaction or waiver of several conditions precedent which include:

- (i) Shareholders approving the Acquisition Resolutions at the General Meeting;
- (ii) the New Directors being appointed as Directors of the Company;
- (iii) the Company receiving subscriptions for the minimum amount to be raised under the Equity Offer (being \$5 million); and
- (iv) Crestal receiving written conditional approval which does not contain any unusual or uncustomary conditions (subject only to the imposition of conditions usual to such approvals) from ASX to lift the suspension of trading on shares of the Company (subject to completion of the Offers) and for its ordinary shares to be reinstated to quotation on ASX.

The conditions precedent to the Share Sale Agreement must be satisfied or waived by no later than 30 April 2016 (or such later date as the Company and FirstWave may agree in writing). If the conditions precedent are not satisfied or waived by that date, either the Company or FirstWave may terminate the Share Sale Agreement provided the terminating party is not in breach of its obligation to use reasonable endeavours to satisfy the conditions precedent. The Share Sale Agreement also contains a number of terms and conditions, including representations and warranties, considered standard for an agreement of this nature.

If completion of the Acquisition occurs under the Share Sale Agreement the Company will issue the Consideration Shares to the Vendors in their respective proportions. The Consideration Shares may be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules. It is a term of the Share Sale Agreement that the Company may only issue the Consideration Shares upon receipt of duly executed restriction agreements duly executed by the Vendors, if such restriction agreements are required by the ASX.

(b) Telstra Contract Summary

The FirstWave software includes an integrated, cloud-based platform that provides a unified gateway for a range of enterprise security solutions, including email and web security scanning and analytics. FirstWave also provides various additional services including network maintenance, data management, performance reporting, training and technology support. Under the Telstra PSA, FirstWave provides its technology platform and services to Telstra Corporation Limited (**Telstra**) which then provides the platform and services to its own corporate and government customers under a reseller arrangement. In practice, Telstra and FirstWave also collaborate in the course of sales and marketing activities.

The Telstra PSA acts as an 'umbrella' agreement for this reseller arrangement, under which Telstra orders products and services from FirstWave, to then provide to Telstra customers. An order may take the form of a "Customer Specific Subcontract (CSS)" entered into between Telstra and FirstWave, and FirstWave will provide those products and services to the relevant customer under the CSS. The Telstra PSA, along with the order entered into under it, forms the primary agreements under which FirstWave derives its revenue. FirstWave provides products and services to approximately 125 customers under the Telstra PSA.

Fees for the products and services are paid by Telstra to FirstWave and calculated in accordance with an agreed schedule of rates. As this is a reseller arrangement, fees from the customers under an order or CSS are paid to Telstra, and Telstra provides payment to FirstWave. The direct contractual and payment relationship with customers, including attendant risks, are as between Telstra and the customer, rather than between FirstWave and the customer directly.

Telstra retains responsibility for the direct customer relationships under the Telstra PSA. FirstWave is also required to notify Telstra in respect of certain reseller engagements that it enters into with third parties. Telstra and FirstWave work together to ensure customer satisfaction during the period of engagement with the customer. Telstra has sought the involvement of FirstWave in significant customer interactions during the period of engagement, throughout the sales and support portions of the relationship.

In providing the products and services, FirstWave must perform its obligations, and ensure that the FirstWave platform performs, in accordance with a range of customer and service specific service level metrics. Failure to meet those service levels may result in a FirstWave being required to repay Telstra a proportion of the fees for the particular service and, in certain circumstances, can result termination of the relevant service, on a per customer basis. The risk exists that major outages or failures of the FirstWave platform or its systems may result in significant financial exposure to FirstWave and in some cases termination of the Telstra PSA. However, a number of contractual and technological mechanisms are in place to mitigate the level of risk, including mechanisms to reduce the risk of multi-platform or catastrophic failure. FirstWave has not had a claim under these provisions since deployment of the products and services.

FirstWave's liability under the agreement is generally limited, and excludes any consequential or indirect loss. However, as is often the position under agreements of this nature, those limitations do not apply to liability under certain obligations. A breach of the Telstra PSA giving rise to a complaint or claim against Telstra by a third party, such as a customer, could give rise to significant financial exposure beyond the contract value. Similarly, limitations do not apply to particular indemnities FirstWave has given in respect of certain Telstra liabilities, or to breaches of FirstWave's confidentiality, privacy or intellectual property obligations. FirstWave considers that its risk in relation to third party claims is reduced however, on the basis that the terms of the agreements it is aware of across the FirstWave, Telstra, customer supply chain generally limit customer claims to a commercially acceptable extent. FirstWave has not received any actions or complaints for breach of confidentiality, and also maintains a number of mechanisms to mitigate the incidence and likelihood of any breach of confidentiality.

The FirstWave platform, including the intellectual property forming part of that platform, is a significant and valuable portion of the FirstWave business. The intellectual property provisions of the Telstra PSA ensure that each of FirstWave and Telstra retain ownership of their respective background intellectual property rights and that Telstra will own intellectual property rights in material developed for or on behalf of Telstra unless otherwise agreed in the statement of work / proposal relating to an order. FirstWave also provides Telstra with a number of warranties and an indemnity in relation to intellectual property rights in the products and services, including the FirstWave platform. FirstWave maintains strict management controls on the use, documentation and ownership of the intellectual property used for its platform.

Given the highly regulated nature of the telecommunications industry Telstra operates within, FirstWave is also required to comply with a range of legal and regulatory obligations, to assist Telstra with its own legal and regulatory obligations and not cause any breach by Telstra of those obligations. Changes to those obligations may result in additional operational costs and if FirstWave does not keep itself informed of those obligations, it is at risk of unintentionally breaching these provisions. In ensuring it is conscious of its customers' varying requirements, FirstWave maintains awareness of the obligations imposed on it under this provision.

Telstra may terminate the Telstra PSA, or reduce the services provided under the Telstra PSA, at any time on thirty days' notice in writing to FirstWave. Termination may be for reasons beyond FirstWave's control, including Telstra's convenience. These termination rights are additional to other standard termination rights that generally exist in an agreement of this nature. In practice, FirstWave views the risk of termination, either for convenience or for other reasons, as low. This is because FirstWave is of the view that it has, and has had, a strong commercial relationship with Telstra. The Telstra PSA has been renewed a number of times and extended to cover new categories of services throughout the time it has been on foot. Additionally, the impact on revenue resulting from termination (whether for convenience or default) is reduced, as termination of the Telstra PSA does not affect the Customer Service Subcontracts, unless Telstra has also elected to terminate those Customer Specific Subcontracts in accordance with their terms. Accordingly, in the event of termination under this provision, the degradation of revenue would be gradual and not immediate.

The term of the Telstra PSA will remain current until the expiration or termination of all orders, including Customer Specific Subcontracts. As stated above, FirstWave considers that the commercial relationship with Telstra is strong, and that the arrangement under the Telstra PSA will continue.

(c) Mandates with Wentworth

Wentworth was engaged by FirstWave, pursuant to the Wentworth Mandate, to act as an exclusive lead manager for the purpose of the Offers. The fees payable by FirstWave in consideration for performing its role as Lead Manager under the Wentworth Mandate is:

- 6% (plus GST) of the amount raised under the Equity Offer (**Fundraising Fees**); and
- a success fee of 3.0% of the value of the Shares in the Company issued to the Vendors at the time of Completion (but excluding Fundraising Fees).

Subsequently, Wentworth agreed, pursuant to the Moelis Mandate, to appoint Moelis as a Co-Manager in relation to the Offers. Wentworth is required to pay Moelis' fees associated with its engagement pursuant to the Moelis Mandate.

FirstWave has agreed to indemnify Wentworth, Wentworth Associates and each of the Wentworth Associates' directors, officers, employees and agents in respect of loss arising from or in connection with the performance by Wentworth under the Wentworth Mandate, a breach by FirstWave of the Wentworth Mandate or law, any review or investigation taken by ASIC, ASX as a result of any actual, alleged or asserted failure to comply with the conditions and requirements or regulations other than by Wentworth and investigating, defending or settling an actual or potential claim FirstWave may be liable for in relation to this indemnity.

FirstWave has also engaged Wentworth under the New Wentworth Mandate to provide corporate finance advisory services comprising:

- assistance with FirstWave's capital structure and its on-going suitability in connection with the corporate strategy;
- general input in relation to potential project or corporate level transactions including disposals, mergers and acquisitions;
- assistance to review required ASX announcements and documentation;
- advising and assisting in relation to the pricing, structure and timetable for future capital raisings; and
- attendance at board and management meetings (as required).

Upon completion of the Offers, FirstWave has agreed to assign the New Wentworth Engagement to Crestal. The fees payable under the New Wentworth Mandate is a quarterly retainer of \$25,000. The term of the New Wentworth Engagement is 24 months from Completion of the Offers under this Prospectus.

10.7 Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident shareholders who acquire Shares Crestal under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation entities that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime). Shareholders who are subject to TOFA should obtain their own tax advice as to the implications under TOFA (if any).

This summary is based on the Income Tax Assessment Act 1936 (1936 Act), the Income Tax Assessment Act 1997 (1997 Act), the New Tax System (Goods and Services Tax) Act 1999 (GST Act), applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force at the original Prospectus Date. This summary does not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. Australian tax laws are complex and subject to change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should therefore seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

(a) Taxation of dividends to Australian tax resident Shareholders

(i) Australian resident individuals and complying superannuation entities

Where dividends on a Share are paid by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a 'qualified person' (refer to further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at their prevailing marginal or statutory rate on the dividend received with no tax offset.

(ii) Corporate shareholders

Corporate shareholders are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

(iii) Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

(iv) Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares 'at risk' for more than 45 days continuously, measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The dates the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares 'at risk'.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend paid by the Company. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact Shareholders who continue to hold Shares and also do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

On 30 June 2014, the Australian Government enacted legislation that applies to 'dividend washing' arrangements. The legislation applies from 1 July 2013 and prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of dividend washing. Shareholders should consider the impact of this legislation given their own personal circumstances.

(b) Capital gains tax (CGT) implications for Australian tax resident Shareholders on a disposal of Shares

The disposal of a Share by an Australian tax resident Shareholder will be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). 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 Shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder 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.

(c) Tax file numbers (TFNs)

Resident Shareholders may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted at the highest marginal tax rate, including various compulsory levies, from unfranked dividends and/or distributions. The rate of withholding tax is currently 49%.

The Company is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Shareholders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

Legislation has been passed by Parliament approving a 2% Deficit Levy charge for high income earners from 1 July 2014 until 30 June 2017. The legislation received Royal Assent on 25 June 2014 and accordingly the rate of withholding tax will be 49% for the period from 1 July 2014 until 30 June 2017 based on existing law.

(d) GST implications

Shareholders should not be liable for GST in respect of their acquisition of the Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this regard.

(e) Stamp duty

Investors should not be liable for stamp duty in respect of their investment in Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares. Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.8 ASIC relief and ASX Waivers

ASX Listing Rule 10.13.3 requires a notice of meeting relating to the issue of securities to a related party to state the date on which securities are to be issued, which must not be more than one month from the date of the relevant meeting. The Company has applied for and been granted a waiver from Listing Rule 10.13.3 in respect of the Director Options insofar as is necessary to permit the notice of meeting for the Company's General Meeting, to be held on 15 April 2016, with a resolution to approve the issue of the Directors Options that does not state that the Director Options will be issued within 1 month of that meeting.

The Company was granted an extension to hold its annual general meeting for FY15 pursuant to Section 250N of the Corporations Act. ASIC has denied a second request by the Company for a further extension to hold its annual general meeting. The Company has now scheduled its annual general meeting for 15 April 2016, which falls outside the extension period granted by ASIC to the Company to hold its annual general meeting.

10.9 Consent to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by each of the Directors.

Written consents to be named in this Prospectus in the capacity indicated below, and in the forms and context in which each is named, have been given by, and, at the time of lodgement of this Prospectus have not been withdrawn:

- Gadens as legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer;
- Grant Thornton Corporate Finance Pty Ltd as Investigating Accountant of the Company and FirstWave;
- Grant Thornton Audit Pty Limited as auditor of the Company and FirstWave;
- Computershare as the Share Registry. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

Except as indicated below, none of the above listed companies or firms has caused, authorised, or otherwise has responsibility for the issue of this Prospectus or the preparation of any part of this Prospectus:

- Grant Thornton Corporate Finance Pty Ltd – in relation to the inclusion in this Prospectus of the Independent Limited Assurance Report in the form and context in which it is included.

References are made in this Prospectus to entities that have certain dealings with Crestal, including counterparties to material contracts referred to in this Prospectus. These entities have been referred to for information purposes only. Those entities did not authorise or cause the issue of this Prospectus and have had no involvement in the preparation of any part of this Prospectus. None of these entities makes any offer of Shares.

10.10 Privacy

Persons whom make an Application for Shares will be providing personal information to the Company directly or indirectly to the Share Registry. The Company and the Share Registry may collect, hold and use personal information to process and assess Applications for Shares, service the needs as a security holder, facilitate distribution payments and corporate communications with the security holder, provide facilities requested and carry out appropriate administration. The Australian taxation legislation and the Corporations Act require personal information about Applicants, including name, address and details about Shares, to be included on the Share register. Personal information held on the Share register must be accessible to the public under the Corporations Act and will continue to be included on the Share register where you cease to be a security holder.

Personal information of security holders may also be used from time to time and disclosed for purposes relating to their investment to the Company's agents and service providers it may engage with in connection with the ordinary conduct of its operations, persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, legal and accounting firms, auditors and other advisers for the purpose of advising on the Shares, print service providers, mail houses, the Share Registry or as otherwise required under the Privacy Act 1988 (Cth). The Company's agents may be located outside of Australia where your personal information may not receive the same level of protection as required by Australian law. From time to time, the Company may contract overseas commercial organisations to provide products or services to the Company or its client.

The Company aims to ensure the personal information it holds is accurate, complete and up to date. You may request access to, correction of and an update to the personal information that the Company holds about you by contacting the Share Registry or the Company. You will generally be provided access to your personal information, subject to some exceptions permitted by law. You may be required to pay a reasonable fee to the Share Registry or the Company to gain access to your personal information. Please contact the Company or the Share Registry if you wish to lodge a complaint about the management of your personal information, request access or amendment to your personal information or obtain further information about the Company's privacy practices by contacting the Company Secretary on (02) 9409 7000.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. Persons who make an Application should note that if all the information required on the Application form is not provided, the Company may not be able to accept or process the Application.

10.11 Governing law

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

10.12 Statement of directors

This Prospectus is authorised by each Director who consents to its lodgement with ASIC and its issue.

Glossary



Glossary

| Term/abbreviation | Explanation |
|---|--|
| Acquisition | The acquisition of the Company of all of the issued capital of FirstWave, pursuant to the Share Sale Agreement. |
| Acquisition Resolutions | Has the meaning given in section 2.2 |
| AGM Notice of Meeting | The Notice of Meeting for Crestal's Annual General Meeting to be held on 15 April 2015 (lodged with ASX on 14 March 2016) |
| Applicant | A person who submits an Application Form |
| Application | An application made using the Application Form to subscribe for Shares offered under this Prospectus |
| Application Form | An Equity Offer Application Form or a FirstWave Application Form. |
| Application Monies | The amount accompanying an Application Form submitted by an Applicant |
| ARCC | Audit, Risk and Compliance Committee – Terms of Reference |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires |
| ASXS | ASX Settlement Pty Ltd |
| ASX Listing Rules or Listing Rules | The official listing rules of ASX |
| ASX Settlement Operating Rules | The operating rules of ASX Settlement Pty Limited (ABN 49 008 504 532) |
| ATO | Australian Taxation Office |
| Australian Accounting Standards | Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board |
| FirstWave Offer Application Form | The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility) for the FirstWave Offer Application Form |
| Board | The board of directors of the Company |
| Broker | Wentworth and/or Moelis |
| Broker Firm Offer | Has the meaning given to the term in Section 1.1 |
| Business Day | ASX business day in terms of the operating rules of the ASX markets and clearing and settlement facilities |
| CCSG | Cloud Content Security Gateway |
| CHESS | Clearing House Electronic Subregister System operated in accordance with the Corporations Act |
| CGT | Capital gains tax |
| Closing Date | The date at which the Offer closes |
| Co-Manager | Moelis Australia Advisory Pty Limited |
| Company | Crestal Petroleum Limited (ACN 144 733 595) |
| Company Secretary | Justin Clyne |
| Completion | Completion in respect of the issue and allotment of Shares in accordance with the Offers |
| Computershare | Computershare Investor Services Pty Limited of Level 5, 115 Grenfell Street, Adelaide, Sa, Australia, 5000 |
| Conditions of the Equity Offer | Has the meaning given to the term in Section 3.6 |
| Consideration Shares | The Shares being offered to the Vendors pursuant to the FirstWave Offer |
| Constitution | The constitution of the Company |
| Corporations Act | <i>Corporations Act 2001 (Cth)</i> |
| CPI | Consumer Price Index |

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| Crestal or CRX | The Company |
| Crestal Options | Options issued by Crestal as at the date of this Prospectus, the terms of which are set out in section 10.4 |
| CSIA | Customer Service Institute of Australia |
| CSS | Customer Specific Subcontract |
| CY | Calendar year |
| Director(s) | The director or directors of the Company |
| Director Options | Options in the Company to be issued to the New Directors at Completion, the terms of which are set out section 8.5. |
| DOCA or Deed of Company Arrangement | The Deed of Company Arrangement executed by the Company on 7 September 2015 and completed by the Company on 2 December 2015 |
| EBIT | Earnings before interest and taxation |
| EBITA | Earnings before interest, taxation and amortisation |
| EBITDA | Earnings before interest, taxation, depreciation and amortisation |
| EBITDAX | Earnings before interest, taxation, depreciation, amortisation and exploration activities |
| Eligible Person | Has the meaning given to the term in Section 8.6(c) |
| Employee(s) | A person or persons employed by FirstWave or the Company |
| Equity Offer | Has the meaning given in section 3.1 |
| Equity Offer Application Form | The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility) for the Equity Offer |
| Existing Shareholders | The Shareholders as at the Prospectus Date. |
| Existing Shares | Shares held by the Existing Shareholders as at the Prospectus Date |
| Exposure Period | The period specified in section 723(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period |
| FirstWave | FirstWave Technology Pty Ltd (ACN 098 940 544) |
| FirstWave Offer | Has the meaning given in section 3.1 |
| FTE | Full time equivalent |
| FY | Financial year beginning 1 July and ended or ending 30 June |
| Grant Thornton | Grant Thornton Audit Pty Limited |
| General Meeting | The annual general meeting of Shareholders to be held on 15 April 2016 |
| Government | The Australian Government |
| GST | Goods and services or similar tax imposed in Australia |
| GSTA | <i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i> |
| Historical Financial Information | Has the meaning given in Section 6 |
| Holder | The holder of an Incentive Option or a Share Right (as the case may be). |
| HY | Half year |
| Incentive Offer | An offer made to an Eligible Employee under the Incentive Plan as detailed in Section 8.6(c) |
| Incentive Option | An unlisted option to acquire a Share in the Company issued under the Incentive Plan |
| Incentive Plan | The employee share option plan of the Company a summary of which is set out in Section 8.6(c) |
| IFRS | International Financial Reporting Standards |

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| Independent Limited Assurance Report | The report in Section 9 |
| Investigating Accountant | Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987 (AFS Licence Number 247140) |
| ITAA97 | <i>Income Tax Assessment Act 1997</i> |
| Institutional Offer | Has the meaning given to it in Section 1.1 |
| Lead Manager | Wentworth Global Capital Finance Pty Ltd (ACN 155 410 843) |
| LTM | Last Twelve Months |
| Maximum Subscription | The Company receiving Equity Offer Application Forms for 40,000,000 Shares under the Equity Offer to raise \$8 million |
| Minimum Subscription | The Company receiving Equity Offer Application Forms for 25,000,000 Shares under the Equity Offer to raise \$5 million |
| Moelis | Moelis Australia Advisory Pty Limited |
| Moelis Mandate | The mandate agreement between Wentworth and Moelis dated 23 March 2016. |
| New Directors | Drew Kelton, David Garnier, Steve O'Brien, Scott Lidgett, Paul MacRae and Edward Keating, the details of whom are set out in Section 8.1 |
| New Wentworth Mandate | The mandate agreement between FirstWave and Wentworth dated 31 March 2016, a summary of which is set out in Section 10.6(c) |
| NPAT | Net profit after tax |
| NRC | Nomination and Remuneration Committee Charter |
| Offers | The offers of Shares under this Prospectus which are comprised of the Equity Offer and the FirstWave Offer |
| Offer Period | The period from the Opening Date and ending on the Closing Date |
| Offer Price | The price per Share that all Successful Applicants will pay for Shares under the Offer, being \$0.20 per Share |
| Official List | The official list of entities that ASX has admitted and not removed from listing |
| Opening Date | The date on which the Offer opens, expected to be 11 April 2016 |
| PBT | Profit before tax |
| PE | Price to earnings |
| Prospectus | This document dated 4 April 2016 (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document |
| Prospectus Date | The date of this Prospectus, being 4 April 2016 |
| R&D | Research and development |
| SaaS | Software-as-a-service |
| Share | A fully paid ordinary share in the capital of the Company |
| Share Registry | Computershare Investor Services Pty Limited |
| Share Right | A right to one Share that is subject to conditions determined by the Company, calculated on the basis set out in the terms of an offer made pursuant to the Incentive Plan. |
| Shareholder | The registered holder of a Share |
| Share Sale Agreement | The agreement between the Company, FirstWave and the Vendors pursuant to which the Company will acquire 100% of the issued share capital in FirstWave. |
| Subsidiary | Has the meaning given to that term under section 46 of the Corporations Act |
| Successful Applicant(s) | Any one or all Applicant(s) who is issued or transferred Shares under the Equity Offer |

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| Telstra | Telstra Corporation Limited |
| "Telstra Product and Services Agreement" or "Telstra PSA" | Telstra Product and Services Agreement (No. 4830003191) between Telstra and FirstWave dated 19 February 2016. |
| TFN | Tax file number |
| United States or US | United States of America |
| US Person | Has the meaning given in Regulation S under the US Securities Act |
| US Securities Act | United States Securities Act of 1933, as amended, supplemented or modified from time to time |
| Vendors | The shareholders of FirstWave under the Share Sale Agreement |
| Wentworth | Wentworth Global Capital Finance Pty Ltd (ACN 155 410 843) of Suite 304, Level 3, 66 Hunter Street, Sydney NSW 2000 |
| Wentworth Associates | Wentworth Global Capital Partners Pty Ltd ABN 98 155 398 333 and Wentworth Global Securities Pty Ltd ABN 96 155 409 653. |
| Wentworth Mandate | The mandate agreement between FirstWave and Wentworth dated 16 April 2015, a summary of which is set out in Section 10.6(c). |

Corporate Directory

CRESTAL PETROLEUM LIMITED

[C/- Wentworth Global Capital Partners](#)

Suite 304, Level 3, 66 Hunter Street,
Sydney NSW 2000

First Wave TECHNOLOGY PTY LTD - REGISTERED OFFICE

[PKF \(NS\) Pty Ltd](#)

755 Hunter St
Newcastle NSW 2300

LEGAL ADVISERS

[Gadens](#)

Level 25, 600 Bourke Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT

[Grant Thornton Corporate Finance Pty Ltd](#)

Level 17, 383 Kent Street
Sydney NSW 2000

AUDITOR

[Grant Thornton Audit Pty Limited](#)

Level 17, 383 Kent Street
Sydney NSW 2000

SHARE REGISTRY

[Computershare Investor Services Pty Limited](#)

Level 5, 115 Grenfell Street,
Adelaide SA 5000
