

28 May 2014

Dear Shareholder,

Etherstack plc Annual General Meeting

I am pleased to invite you to Etherstack plc's second Annual General Meeting, which will be held at 10.00 am (London time) on Monday 23rd June 2014 at Etherstack's offices at level 1, 28 Poland Street, London.

The accompanying Notice of Annual General Meeting describes the business that will be proposed and sets out the procedures for your participation and voting. Your participation in our Annual General Meeting ("AGM") is important to Etherstack and a valuable opportunity for the Board to consider with shareholders the performance of the Group.

Please note that only Shareholders, Chess Depositary Interest ("CDI") holders, proxy holders and corporate representatives in attendance at the AGM will be eligible to ask questions of the Directors.

The Directors are unanimously of the opinion that all of the resolutions to be proposed are in the best interests of Shareholders and of Etherstack as a whole. Accordingly, they seek your vote in favour of all resolutions.

For Shareholders that are unable to attend the meeting to vote in person, please complete and submit your proxy form in line with the attached instructions. Submitting a proxy form will ensure your vote is recorded but will not prevent you from attending and voting at the meeting itself.

For CDI holders your vote is recorded by completing the Voting Instructions Form. You can still attend the meeting however voting is via the Voting Instructions Form.

I look forward to meeting you at the AGM.

Yours sincerely



Peter Stephens
Chairman

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Etherstack plc (the “Company”) will be held at 10.00 am (London time) on Monday 23rd June 2014 at Etherstack’s offices at level 1, 28 Poland Street, London, to consider and, if thought fit, pass the following resolutions:

The Explanatory Statement that accompanies and forms part of this Notice of Meeting describes the matters to be considered.

AS ORDINARY RESOLUTIONS

1. To receive and adopt the accounts of the Company for the year ended 31 December 2013 and the Directors’ and auditors’ reports thereon.
2. To re-appoint Grant Thornton UK LLP as auditors to hold office until the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.
3. In substitution for any existing authorisation under section 551 of the Companies Act 2006 but without prejudice to the exercise of any such authorisation prior to the date of this resolution, the Directors of the Company are generally and unconditionally authorised in accordance with that section to allot shares in the Company and to grant rights (“relevant rights”) to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £31,980 such authorisation to expire at midnight on 22 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, unless previously renewed, revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or agreement which would or might require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the Directors of the Company may allot shares or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.
4. Approval for the issue of up to 416,667 fully paid ordinary shares

THAT, for the purposes of Listing Rule 7.1, and for all other purposes, approval be given for the issue and allotment by the Company of up to 416,667 fully paid ordinary shares, upon conversion of the convertible notes which were issued in July 2013 totalling AUD\$500,000 which may be converted into 416,667 paid ordinary shares at AUD\$1.20 for each fully paid ordinary share and in accordance with the other conditions of their issue.

5. Approval for the issue of options to Mr Peter Stephens

That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue 125,000 options to Mr Peter Stephens on the terms and conditions described in the Explanatory notes accompanying the Notice of Annual General Meeting.

6. Approval for the issue of options to Mr Paul Barnes

That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue 125,000 options to Mr Paul Barnes on the terms and conditions described in the Explanatory notes accompanying the Notice of Annual General Meeting.

7. Approval for the issue of options to Mr Scott Minehane

That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue 125,000 options to Mr Scott Minehane on the terms and conditions described in the Explanatory notes accompanying the Notice of Annual General Meeting.

AS SPECIAL RESOLUTIONS

8. THAT subject to the passing of resolution numbered 3 above (“**Section 551 Resolution**”) and in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 (the “Act”) but without prejudice to the exercise of any such power prior to the date of this resolution, the Directors of the Company are empowered in accordance with those sections to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) either pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £12,792; and
 - (b) the allotment of equity securities in connection with an offer to all holders of ordinary shares of 0.4p each in the capital of the Company (“Ordinary Shares”) in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the Directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and such power shall expire when the Section 551 Resolution is revoked or would (if not renewed) expire, but so that this power shall enable the Company to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.
9. THAT the Company is generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the “Act”) to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 0.4p each in the capital of the Company (“Ordinary Shares”), and to cancel or hold in treasury such shares provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 3,198,078 (representing 10 per cent of the Company’s issued ordinary share capital);
 - (b) the minimum price which may be paid for an Ordinary Share is 0.4p;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than the higher of (i) an amount equal to 5 per cent. above the average market value of the Ordinary Shares for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
 - (d) this authority shall expire at midnight on 22 June 2015 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless previously renewed, revoked or varied by the Company in general meeting; and
 - (e) the Company may at any time before the expiry of this authority make a contract to purchase Ordinary Shares which would or might be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares pursuant to any such contract.
10. THAT for the purposes of Listing Rule 7.1A and for all other purposes, the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the explanatory notes, be approved.

Voting Exclusion Statement

The Company will disregard any votes cast on each of these Resolutions by a person who might obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities), and any associate of those persons.

The following voting exclusion statement applies to the Resolutions under the Listing Rules or where applicable, the provisions of the Companies Act. The Company will disregard any votes on the following Resolutions cast by the following Excluded Persons, unless it is cast:

- by a person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman as proxy for a member who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the member who is entitled to vote has indicated on the proxy form that the Chairman may vote as a proxy in relation to each resolution to which the voting exclusion relates:

Resolution	Resolution Title	Excluded Persons
4	Issue of fully paid ordinary shares	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed
5	Approval for the issue of options to Mr Peter Stephens	Mr Peter Stephens and his associates
6	Approval for the issue of options to Mr Paul Barnes	Mr Paul Barnes and his associates
7	Approval for the issue of options to Mr Scott Minehane	Mr Scott Minehane and his associates
10	Approval of 10% Placement Facility	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

Record Date

The Directors have fixed the close of business on the day which is 2 days before the date of the Meeting as the record date for determination of Shareholders entitled to notice of and the right to vote at the Meeting, either in person or by proxy.

Proxy voting by holders of ordinary shares

Shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the proxy. A proxy will not be valid unless it is deposited by mail or by fax at the office of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or fax number 08707036322 (or +44 8707036322 if you are sending from outside the UK) by 10 am (London time) on Thursday 19th June 2014.

Proxy voting by holders of CDIs

Holders of CDIs are invited to attend the meeting. CDI holders may complete, sign and return the enclosed CDI Voting Instruction Form to Computershare Investor Services Limited, at GPO Box 242, Melbourne, Victoria, 3001 Australia (free fax number within Australia: 1800 753 447 or outside Australia: +61 3 9473 2555) in order to direct CHESS Depository Nominees Pty Ltd. ("CDN") to vote the relevant underlying Common Shares on his or her behalf or may instruct CDN to appoint such CDI holder or his or her nominee as proxy to vote the Common Shares underlying the CDIs in person at the meeting. In either case, the CDI Voting Instruction Form needs to be received at the address shown on the Form not less than 96 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or an adjournment thereof.

By order of the Board



Paul Barnes FCCA
Company Secretary

Registered Office: 1st Floor, 28 Poland Street, London W1F 8QN

Date: 28 May 2014

Notes:

1. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
2. A form of proxy accompanies this notice. To be valid, your proxy form and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to arrive no later than by 10 am (London time) on Thursday 19th June 2014.
3. If you appoint a proxy, this will not prevent you attending the meeting and voting in person if you wish to do so.
4. Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.
5. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the meeting a member must first have his or her name entered in the Company's register of members by no later than the close of business on the day that is two days before the date of the meeting or, if this meeting is adjourned, at the close of business on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
6. Except as provided above, members who have general queries about the meeting should email shareholderhelp@etherstack.com.

Explanatory notes to the resolutions

Resolution 1: Receive the 2013 Annual report

The Directors are required by company law to present the 2013 Annual report comprising the 2013 financial statements, the Directors report and the Auditors report on the financial statements to the meeting. These can be viewed on the Etherstack website:

<http://www.etherstack.com/investor/pdf/1316396.pdf>

Resolution 2: Re-appointment and remuneration of auditors

The Company is required at each general meeting at which financial statements are laid to appoint auditors who will remain in office until the next general meeting at which financial statements are laid.

Grant Thornton UK LLP have expressed their willingness to continue in office for a further year. In accordance with company law and good corporate governance practice, Shareholders are asked to authorise the Audit & Risk Committee to determine the auditors' remuneration.

Resolution 3: Authority to allot shares

This resolution asks Shareholders to renew the Directors' authority to allot new shares. The authority, if approved, will expire on the later of 22 June 2015 and the date of the 2015 annual general meeting. The authority will allow the Directors generally to allot new shares, and grant rights to subscribe for, or convert other securities into shares up to a nominal value of £31,980 which is, in accordance with good corporate governance practice, equivalent to approximately 25 per cent of the total issued ordinary share capital of the Company. The Directors consider it desirable, however, to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

Resolution 4: Approval for the issue of up to 416,667 fully paid ordinary shares

In July 2013, the Company issued AUD \$500,000 Convertible Notes to professional and sophisticated investors. The proceeds of issue of Convertible Notes were used to increase working capital. Upon issue, the conversion rights attached to the Convertible Notes are conditional upon Shareholder approval of the conversion rights at the AGM. Subject to the approval at the AGM, the Convertible Notes are convertible into 416,667 shares at AUD \$1.20 per Share. The Convertible Notes are convertible at the option of the Convertible Note Holder at any time prior to maturity on 31 December 2014. Shareholder approval is sought for the purposes of Listing Rule 7.1 and for all other purposes for the issue of up to 416,667 Shares, at an issue price of AUD\$1.20 per Share.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Company to issue the Shares upon conversion of the Convertible Notes during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue:

- a. the maximum number of Shares to be issued is 416,667
- b. the Conversion rights will be granted as at the date of the Meeting
- c. the issue price will be AUD\$1.20 per Share;
- d. the Shares will be issued to the Convertible Note Holders;
- e. the Shares issued will be fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- f. the Company will not receive any funds upon issue of the Shares, as the Convertible Note Holders paid their subscription monies at the time of issue of the Convertible Notes.

Resolutions 5 to 7: Issue of Options to Non-Executive Directors

Resolutions 5 to 7 seek Shareholder approval in accordance with Listing Rule 10.11 and for all other purposes for the grant of 375,000 options (**Options**) to be split equally between Mr Peter Stephens, Mr Paul Barnes and Mr Scott Minehane who are Non-Executive Directors of the Company.

It is proposed that the Options be issued to Mr Stephens, Mr Barnes and Mr Minehane as additional remuneration in order to allow the Company to adequately compensate Mr Stephens, Mr Barnes and Mr Minehane for their commitment to the Company.

The members of the Board have formed the view that it would be appropriate to issue the Options, subject to Shareholder approval, because it considers that the issue would be reasonable having regard to the present circumstances of the Company and the following specific considerations:

- the exercise price of A\$0.80 is significantly above the price of recent ASX transactions in Etherstack securities. As such, the options to be granted will only be of benefit if the Board of Directors performs to the level whereby the value of the Company increases sufficiently to merit exercising the options. It is considered that no additional performance criteria are necessary.
- competition in the markets in which the Company operates for experienced company Directors and the importance of such Directors to the future development and growth of the Company;
- issuing the Options would be a cost-effective mechanism for the Company to reward its Non-Executive Directors and encourage those Directors to remain involved in the Company's affairs ;
- the Options would provide a way for the Company to provide additional remuneration to its Non-Executive Directors while strengthening the alignment between the interests of those Directors and the interests of the Company.

Approval Requirements

ASX Listing Rules

ASX Listing Rule 10.11 requires a listed company to obtain Shareholder approval prior to the issue of securities (including an option) to a related party. As Directors of the Company, Mr Stephens, Mr Barnes and Mr Minehane are considered related parties of the Company. Accordingly, Shareholder approval is required under ASX Listing Rule 10.11 for the issue of the Options.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting for a proposed approval under Listing Rule 10.11. The following information is provided to Shareholders for the purposes of Listing Rule 10.13 to allow them to assess the proposed issue of Options under Resolutions 5 to 7:

- a. the Options will be granted to Mr Stephens, Mr Barnes and Mr Minehane, each of whom is a Non-Executive Director of the Company, for incentive and remuneration purposes as set out above;
- b. the maximum total number of Options to be issued under Resolutions 5 to 7 is 375,000;
- c. the Options will be issued no later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules, the Corporations Act and/or the Australian Securities and Investments Commission);
- d. while there is no consideration for the issue of the Options, the exercise price of the options will be A\$0.80 per new ordinary share in the Company and the options will expire on 31 December 2018. The full terms and conditions are set out in the Explanatory notes below,
- e. a voting exclusion statement is included in Resolutions 3 to 5 in the Notice; and
- f. there will be no funds raised from the issue of the Options (which will be issued for nil consideration) and any funds raised from the exercise of the Options will be applied toward the Company's working capital requirements at that time.

Approval under ASX Listing Rule 7.1 is not required if the same issue is approved by Shareholders pursuant to ASX Listing Rule 10.11 (as provided for by ASX Listing Rule 7.2, exception 14).

Terms and Conditions of Options

1. Each Option entitles the holder to subscribe for one Share upon exercise of the Option and payment of the Exercise Price (defined below).
2. Each Option is exercisable at any time after for a consideration of A\$0.80 per Option payable in full on exercise of the Option (**Exercise Price**).
3. Subject to paragraph 21, the Options automatically expire at 5.00 pm on 31 December 2018 (**Expiry Date**).
4. The Options will not be quoted on ASX.
5. The Company must give the holder of each Option a certificate or holding statement stating:
 - a. the number of Options issued to each holder;
 - b. the Exercise Price of the Options; and
 - c. the date of issue of the Options.
6. Holders may exercise the Options at any time up to the Expiry Date. Any Option not exercised, automatically expires on the Expiry Date. Options not exercised within 12 months of the date a Director ceases to hold office as Director will automatically lapse.
7. Subject to the provisions of the Etherstack Securities Trading Policy, Options may only be exercised by the delivery to the registered office of the Company of a notice in writing stating the intention of the holder to:
 - a. exercise all or a specified number of the Options; and
 - b. pay the Exercise Price in full for the exercise of each such Option.
8. The exercise notice must be accompanied by the certificate or holding statement for the options being exercised and a cheque made payable to the Company for the Exercise Price for the Options being exercised.
9. The Options will be deemed to have been exercised on the date the exercise notice is received or deemed to be received by the Company.
10. The exercise of only some Options will not affect the rights of the holder to the balance of the Options held by them.
11. If the holder of the Options exercises less than the total number of Options registered in the holder's name:
 - a. the holder of the Options must surrender the option certificate; and
 - b. the Company must cancel the certificate and issue the holder of the Options a new certificate or holding statement stating the remaining number of Options held by the holder stating the information set out above.
12. Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company unless the holder of the Options has exercised the Options before the record date for determining these entitlements and participates as a result of holding Shares.
13. All Shares issued on exercise of an Option will:
 - a. rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - b. be issued fully paid;
 - c. be duly authorised and issued by all necessary corporate action; and
 - d. be allotted and issued free from all liens, charges and encumbrances whether known about or not, including statutory and other pre-emption rights and any transfer restrictions.

14. The Company will apply to ASX Limited for official quotation of the Shares issued upon exercise of Options within the time period required by the Listing Rules.
15. The Options are not transferable.
16. A holder of Options does not have the right to participate in bonus issues or new issues of securities offered to Shareholders until Shares are allotted to the holder pursuant to the exercise of the Options.
17. In the event of a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holders of Options (including, without limitation, the number of Options to which the Optionholder is entitled to and the Exercise Price) will be changed (as appropriate) in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
18. If the Company makes a pro-rata issue (other than a bonus issue) to existing Shareholders and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option will be reduced in the manner permitted by the Listing Rules applying at the time of the pro-rata issue.
19. If the Company makes a bonus issue to existing Shareholders and no Share has been issued in respect of that Option before the record date for determining entitlements to the issue, then the number of Shares over which that Option is exercisable will be increased in the manner permitted by the Listing Rules applying at the time of the bonus issue.
20. The Company is entitled to treat the registered holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
21. Notwithstanding paragraph 3, if:
 - a. a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire all of the Shares, any Options not exercised by the date which is seven days after the date the bidder became so entitled shall immediately lapse; or
 - b. a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company the effect of which may be that a person will have a relevant interest in at least 90% of the Shares and Shareholders pass the resolution by the requisite majorities, any Options not exercised by the date which is seven days after the date of the meeting shall immediately lapse.

Resolutions 8 and 9: Treasury shares

The Board is seeking authority to buy back shares in the Company. The overall purpose of the buyback resolution is to provide the Company with flexibility in the conduct of its capital management initiatives, whether through on or off-market share buybacks. There may be circumstances when share purchases may be in the best interests of the Shareholders and therefore authority is sought for the Company or any of its subsidiaries, to purchase up to ten per cent of the issued ordinary share capital of the Company during the period stated below. The Directors will exercise this authority only after careful consideration, taking into account prevailing market conditions, other investment opportunities and the overall financial position of the Company. The authority will expire on the later of 22 June 2015 and the date of the next Annual General Meeting. The maximum price that may be paid for an ordinary share (exclusive of expenses) is 105 per cent of the average middle market quotation for the five business days immediately preceding the purchase and the minimum price that may be paid for an ordinary share (exclusive of expenses) is its nominal value.

Pursuant to the 2006 Act, the Company can hold the shares which have been repurchased itself as treasury shares and resell them for cash, cancel them (either immediately or at a point in the future), or use them for the purposes of its employee share plans. Whenever any shares are held as treasury shares, all dividend and voting rights on these shares are suspended. Any shares purchased under the authority, if approved, would be either held as treasury shares or cancelled.

Resolution 10: Authority to issue up to an additional 10% of issued share capital

Listing Rule 7.1A enables eligible entities to issue Equity Securities (as that term is defined in the Listing Rules) up to 10% of its issued share capital in accordance with the terms set out below (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2.3 below). The Company is currently continuing development activities associated with existing intellectual property developments and is also reviewing additional intellectual property developments. The Company may use the funds raised from the issue of Equity Securities under the 10% Placement Facility on its existing intellectual property developments and/or new intellectual property developments or investments.

Description of Listing Rule 7.1A

(1) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an Annual General Meeting.

(2) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company, as at the date of the Notice, has on issue three classes of Equity Securities: Shares, CDIs and unlisted options.

(3) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(4) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1. At the date of this Notice, the Company has on issue 31,980,784 Shares and therefore has a capacity to issue:

- (i) 4,797,117 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under this resolution 10, 3,198,078 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section (3) above).

(5) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(6) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (**10% Placement Period**).

Listing Rule 7.1A

The effect of resolution 10 will be to allow the Company to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1. Resolution 10 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (1) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (2) If resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities. The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		50% decrease in issue price AUD \$0.175	Issue price AUD \$0.35 (Note 1)	100% increase in issue price AUD \$0.70
Current Variable "A" 31,980,784 shares	10% voting dilution	3,198,078 shares	3,198,078 shares	3,198,078 shares
	Funds raised AUD	\$ 367,779	\$ 735,558	\$ 1,471,116
50% increase in current Variable "A" 47,971,176 shares	10% voting Dilution	4,797,118 shares	4,797,118 shares	4,797,118 shares
	Funds raised	\$ 551,669	\$ 1,103,337	\$ 2,206,674
100% increase in current Variable "A" 63,961,568 shares	10% voting Dilution	6,396,157 shares	6,396,157 shares	6,396,157 shares
	Funds raised	\$ 735,558	\$ 1,471,116	\$ 2,942,232

Note 1- issue price is based on the 90 day Volume weighted average price

- (3) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under resolution 10 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (4) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for [the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards activities at its existing projects and/or for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities. The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (5) The Company has previously obtained Shareholder approval under Listing Rule 7.1A. In the 12 months preceding the date of this meeting, 1,714,286 equity securities were issued in the form of convertible notes. None of these convertible notes have been converted into ordinary shares at the date of this notice. If all of these convertible notes had been converted into ordinary shares, then the ordinary shares would represent 5.4% of the ordinary shares on issue 12 months preceding the date of this meeting. Key terms of the convertible notes are as follows:
- unsecured
 - convertible into ordinary fully paid shares at a conversion price of \$1.75
 - unlisted
 - interest accrues at 90 day bank bill swap rate plus 6% subject to a minimum of 10% per annum. Interest is paid quarterly in arrears.
 - If not converted, the convertible notes will be repaid on 31 December 2015.

The convertible notes were issued to sophisticated professional investors. The issue of convertible notes raised AUD\$3,000,000 which was employed by the company in intellectual property developments and supplementing working capital.

- (6) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

GLOSSARY

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the current board of directors of the Company.

CDI means Chess Depository Interest.

Company means Etherstack plc.

Convertible Notes means the convertible notes issued in July 2013 convertible into Shares at AUD\$1.20 per Share.

Convertible Note Holders means the holders of the Convertible Notes.

Directors means the current directors of the Company.

Equity Securities has the meaning given to that term in the Listing Rules.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory notes to the resolutions and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Special resolution means a resolution that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution;

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000



┌ 000001 000 ESK
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

CDI Voting Instruction Form

 **For your vote to be effective it must be received by 7.00pm (Sydney time) Tuesday 19 July 2014**

How to Vote on Items of Business

Each CHESS Depository Interest (CDI) is equivalent to one share of Company Common Stock, so that every 1 (one) CDI that you own at 6.00pm on Friday 16 May 2014 entitles you to one vote.

You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depository Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give CHESS Depository Nominees Pty Ltd enough time to tabulate all CHESS Depository Interest votes and to vote on the underlying shares.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory, ie Sole Director, Sole Company Secretary or Director and Company Secretary. Delete titles as applicable.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

CDI Voting Instruction Form

Please mark to indicate your directions

STEP 1 CHESSE Depository Nominees will vote as directed XX

Voting Instructions to CHESSE Depository Nominees Pty Ltd

I/We being a holder of CHESSE Depository Interests of Etherstack plc hereby direct CHESSE Depository Nominees Pty Ltd to vote the shares underlying my/our holding at the Annual General Meeting of Etherstack plc to be held at level 1, 28 Poland Street, London Monday 23rd June 2014 at 10.00am (London time) and at any adjournment of that meeting.

By execution of this CDI Voting Form the undersigned hereby authorises CHESSE Depository Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

STEP 2 Items of Business PLEASE NOTE: If you mark the Abstain box for an item, you are directing CHESSE Depository Nominees Pty Ltd or their appointed proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

For Against Abstain

- | | | | |
|----------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 1. To receive and adopt the accounts of the Company for the year ended 31 December 2013 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-appoint Grant Thornton UK LLP as auditors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. General Authority to allot shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Approval for the issue of up to 416,667 fully paid ordinary shares upon conversion of the Convertible Notes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Approval for the issue of 125,000 options to Mr Peter Stephens | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Approval for the issue of 125,000 options to Mr Paul Barnes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Approval for the issue of 125,000 options to Mr Scott Minehane | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL BUSINESS

For Against Abstain

- | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 8. Approval for the Directors of Etherstack plc to allot equity securities either pursuant to the Section 551 Resolution or by way of a sale of treasury shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Approval for Etherstack plc to make market purchases of ordinary shares in the capital of Etherstack PLC | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. ASX Listing Rule 7.1 Approval for allotment of Equity Securities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you do not mark either the 'For', 'Against' or 'Abstain' box your vote will not be counted.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /