



24 February 2021

The Manager  
Market Announcements Office  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

## STEMIFY LIMITED TO ACQUIRE SWOOP AND NODEONE TELECOMMUNICATIONS BUSINESSES

### Highlights:

- SF1 has entered into inter-conditional share purchase deeds to acquire 100% of Swoop and NodeOne for total consideration (in scrip) valued at \$61.3 million (based on the proposed offer price for the capital raising).
- Swoop is an eastern states based fixed wireless and wholesale network infrastructure carrier with a high performance national and international network that is an alternative provider to the large carriers for delivering services in Australia.
- NodeOne is a Western Australian based fixed wireless broadband provider and licensed telecommunications carrier with a proven high-performance wireless network providing an alternative solution to the NBN network for both residential and business customers.
- The acquisition is subject to a number of conditions, including shareholder approval and re-compliance with Chapters 1 and 2 of the ASX Listing Rules.
- Upon completion, SF1 to appoint four new directors with extensive experience in the telecommunications industry to join the board with existing director Jonathan Pearce.
- New cornerstone shareholder Tattarang Ventures Pty Ltd, owned by entities associated with Andrew Forrest, will hold approximately 19.8% of SF1.
- SF1 will seek to raise \$20m and has appointed Morgans Corporate Limited as lead manager to the public offer. The public offer is proposed to be underwritten by Morgan's on terms to be agreed and subject to the execution of an underwriting agreement.
- Proposed change of name to "Swoop Holdings Limited" to reflect the new direction of the Company.

The Board of Stemify Limited (ACN 009 256 535) (ASX:SF1) (**SF1** or **the Company**) is pleased to announce it has entered into three inter-conditional share purchase deeds (**Acquisition Agreements**) pursuant to which it has agreed, subject to satisfaction of certain conditions precedent, to acquire:

- (a) 100% of the shares in Cirrus Communications Pty Ltd (**Swoop**);



- (b) 58.90% of the issued capital in N1 Telecommunications Pty Ltd (ACN 638 547 476) (**NodeOne**); and
  - (c) 100% of the issued capital of Fiwi Pty Ltd (ACN 627 923 577) (**Fiwi**) which in turn holds the remaining 41.10% of the issued capital of NodeOne,
- (together, the **Acquisitions**).

A group structure on completion of the Acquisitions (**Completion**) is set out in Appendix 4.

The Company has undertaken legal and financial due diligence enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of Swoop and NodeOne, to enable the board of the Company to be satisfied that the Acquisitions are in the best interests of the Company and its shareholders. In particular, the Company and its advisers have reviewed materials relating to Swoop, NodeOne and their subsidiaries, including corporate records and information disclosed by Swoop and NodeOne to the Company, audited historical financial information and unaudited post-balance date financial information and information maintained on public registers.

In connection with the Acquisitions, the Company intends to:

- (a) consolidate its issued capital on the basis that every 23 securities will consolidate into one security;
- (b) raise \$20 million pursuant to a public offer under a prospectus at an issue price of \$0.50 per share (on a post consolidation basis) (**Public Offer**), with Morgans Corporate Limited appointed as lead manager;
- (c) apply to ASX for re-admission of its shares to trading on ASX; and
- (d) re-constitute its board of directors to include directors with extensive experience in the telecommunications industry; and
- (e) change its name to "Swoop Holdings Limited".

### **About Swoop**

Swoop is predominately a fixed wireless and wholesale network infrastructure carrier with a high performance national and international network that is an alternative provider to the large carriers for delivering services in Australia. Swoop is based in both Regional NSW and Victoria.

Swoop operates under 3 brands;

- (a) *Swoop Wholesale* – for the supply of Fixed Wireless Access as well as wholesale transit services to other ISPs and Telcos;
- (b) *Swoop Business* – for the supply of high-quality internet and telecommunication services to small and medium sized enterprises within the National footprint; and
- (c) *Swoop Broadband* – for the supply of Fixed Wireless Broadband services to residential customers currently in the West Gippsland (Warragul) region in Victoria.

Swoop has diversified core businesses:



- (a) providing Internet services over its own fixed wireless network across its national footprint under Swoop Wholesale and Swoop Business, with residential services in key regional towns under Swoop Broadband; and
- (b) providing wholesale transit and other services to smaller ISPs across its national and international POP locations, through Swoop Wholesale.

Swoop also provides services over the NBN fixed line and fixed wireless networks nationally to residential and SME customers who cannot connect to the Swoop fixed wireless network.

In May 2020, Swoop completed a transaction to acquire 100% of Anycast Holdings Pty Limited and Bosley Holdings Pty Ltd, which expanded the business's wholesale product offerings, underlying network infrastructure, and new residential product capabilities and revenues.

Swoop Wholesale and Swoop Business revenue is generated from monthly subscription for Internet services. With great local support and high customer satisfaction, Swoop has low churn rates in these markets.

The fixed wireless network was designed and constructed by Swoop and is maintained and operated by the Swoop team. All customer connections on the fixed wireless network are performed by the Swoop team.

The wholesale transit core network was designed and constructed by Anycast Holdings Pty Ltd and is maintained and operated by the Swoop team. It is one of Australia's most connected networks, offering distributed denial of service security to all Swoop customers monitored 24x7 by its highly trained Australian staffed Network Operations Centre.

The key management of Swoop are Alex West (Chief Executive Officer), Matt Hollis (Head of Sales) and Tom Berryman (CTO).

Further information about Swoop, including key dependencies, key risks, and regulatory matters relating to Swoop's business, are set out in Appendix 2.

In the past 6 months, Swoop issued the following securities:

- (a) 71,428,571 preference shares on 8 September 2020, issued to a sophisticated investor upon the exercise of 71,428,571 options at an exercise price of \$0.07 per option; and
- (b) 7,142,857 preference shares on 22 October 2020, issued to a sophisticated investor upon the exercise of 7,142,857 options at an exercise price of \$0.07 per option.

Neither the issue of the preference shares nor the underlying options were underwritten nor made pursuant to a prospectus or an information memorandum. Approximately \$2 million of the funds raised from the issue (being \$5,500,000) have been applied to date towards the construction of infrastructure as well as software development.

Swoop does not propose to issue any securities prior to the Company's re-admission to the Official List.

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### **About NodeOne**

The NodeOne business was established approximately 10 years ago to provide NBN services to customers in the Geraldton region of Western Australia.

NodeOne is a fixed wireless broadband provider and licensed telecommunications carrier with a proven high-performance wireless network providing an alternative solution to the NBN network for businesses and residential customers. NodeOne is based in Western Australia with offices in Perth and Geraldton. Its core business is providing Internet services over its own fixed wireless network across the Perth metropolitan area, Geraldton and the mid-west regions and Bunbury in the south west of the state.

NodeOne also provides services over the NBN fixed line and fixed wireless networks in Western Australia to customers who are unable to connect to the NodeOne fixed wireless network. NodeOne's customer base consists of both residential and business customers and is made up of approximately 80% residential and 20% business accounts.

Revenue is generated from monthly subscription services for Internet services, typically on an initial 12 or 24 month contract converting to month to month contracts after their initial fixed term.

The fixed wireless network is maintained and operated by NodeOne via its subsidiary, N1 Wholesale Pty Ltd.

The key management of NodeOne are Richard Whiting (Chief Executive Officer), Nick van Namen (NodeOne Founder and Chief Technology Officer), Rob Ebden (Chief Operating Officer), and Sean Clarke (Chief Sales Officer).

Further information about NodeOne, including key dependencies, key risks, and regulatory matters relating to NodeOne's business, are set out in Appendix 2.

NodeOne has not issued any securities in the past 6 months. NodeOne does not propose to issue any securities prior to the Company's re-admission to the Official List.

### **Change of Activities**

The Company was previously in the business of selling 3D printing hardware and the MyStemKits K-12 curriculum into the STEM education sector in various countries but principally in the USA (**STEM Business**). At the general meeting held on 19 March 2020, Shareholders agreed to sell the STEM Business to Boxlight Corporation, a leading provider of technology solutions for the global learning market listed on the NASDAQ (NASDAQ:BOXL).

Pursuant to this transaction, Boxlight Corporation acquired the assets and liabilities of the STEM Business from the Company for consideration of US\$600,000, comprising a US\$250,000 cash payment and US\$350,000 to be paid in 4 equal quarterly cash payments commencing 28 April 2020, with the outstanding amounts accruing interest at 7% per annum.

Due to the impact of the Covid-19 pandemic on the STEM Business, the Company entered into a letter agreement with BOXL (**Letter Agreement**) to make the payment of the first two quarterly cash payments conditional upon the STEM Business satisfying certain revenue milestones. These revenue milestones were not met and accordingly the first two payments will not be received. The Company will seek Shareholder approval for the purpose of Listing Rule 11.2 for the sale of the STEM Business to BOXL on the terms as varied by the Letter Agreement. This approval will be sought at the general meeting to be held on or about 13 April 2021.

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The sale of the STEM Business completed on 21 April 2020, per the Company's ASX announcement titled 'Completion of sale to BOXL and subscription for shares in BOXL'.

The Company has not issued any securities in the past 6 months.

The proposed Acquisitions of Swoop and NodeOne will constitute a change in the nature and scale of the Company's activities to an internet services provider.

In this circumstance, the Company will be required, pursuant to Listing Rule 11.1.2, to obtain approval from SF1's shareholders, and therefore may not proceed if that approval is not forthcoming.

The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with ASX's requirements for admission and quotation and therefore the transaction may not proceed if those requirements are not met.

Trading in the Company's shares have been suspended since 5 August 2020 and will remain suspended until the Company re-complies with Chapters 1 and 2 of the Listing Rules following Completion. The Acquisitions are each conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Acquisitions and satisfying all other requirements of ASX for the reinstatement to Official Quotation of the Company's Shares on the ASX (among other things).

ASX has absolute discretion in deciding whether to re-admit the Company to the official list and to quote its securities and therefore the transaction may not proceed if ASX exercises that discretion.

Investors should take account of these uncertainties in deciding whether to buy or sell SF1 securities.

ASX has advised the Company that, based on the information provided to date, ASX is not aware of any reasons that would cause SF1 not to have a structure and operations suitable for a listed entity for the purposes of ASX Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse re-admission to the official list under ASX Listing Rule 1.19.

If the Acquisitions do not proceed, the Company's shares may possibly remain in suspension and could ultimately be delisted from ASX on 5 August 2022 (being the date which is 2 years from the date the Company's securities were suspended from quotation).

### **Consolidation**

As part of the Acquisitions and the Company's proposed re-compliance with Chapters 1 and 2 of the Listing Rules, the Company proposes to consolidate its issued capital on the basis that every 23 securities held on the record date for the consolidation will consolidate into one security (**Consolidation**) subject to shareholders' approval.

### **Public Offer**

The Company proposes to conduct the Public Offer to raise \$20,000,000 (before costs) via the issue of 40,000,000 Shares at an issue price of \$0.50 per Share (on a post-Consolidation basis). The Public Offer will be conducted under a prospectus to be prepared by the Company (**Prospectus**). The Public Offer is proposed to be underwritten by Morgan's on terms to be agreed and subject to the execution of an underwriting agreement.

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The Company intends to apply funds raised from the Public Offer as follows:

Allocation of funds	Full subscription (\$)	Percentage of Funds (%)
Fixed wireless network expenditure and deployment across Sydney, Melbourne, key regional areas and Perth	\$7,750,000	39%
Software Development	\$2,000,000	10%
Product Development	\$600,000	3%
Customer Experience Platforms	\$1,600,000	8%
Expenses of the Public Offer and Proposed Acquisitions <sup>1</sup>	\$1,700,000	8.5%
Repayment of loan to NodeOne Vendors	\$650,000	3%
Marketing and Customer Acquisition	\$2,700,000	13.5%
Acquisition of complementary businesses	\$2,000,000	10%
Working capital	\$1,000,000	5%
<b>Total</b>	<b>\$20,000,000</b>	<b>100%</b>

**Notes:**

1. Including legal fees, ASX fees, advisor fees, Investigating Accountant fees, Independent Expert Fees, Share Registry Fees and brokerage costs.

The above table is a statement of current intentions as of the date of this announcement. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied.

**Lead Manager Agreement with Morgans Corporate Limited**

Morgans Corporate Limited (AFSL 235407) (**Morgans** or **Lead Manager**) will act as the lead manager to the Public Offer and expected to underwrite the Public Offer on terms to be agreed and subject to execution of an underwriting agreement.

The Company will pay Morgans the following fees as lead manager of the Public Offer:

- (a) a management fee of 1% of funds raised under the Public Offer; and
- (b) a selling fee of 5% of funds raised under the Public Offer.

The total fees payable to Morgans will be \$1,200,000 (assuming the Company raises \$20,000,000 under the Public Offer).

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## Proposed Capital Structure

The proposed capital structure of the Company following Completion and issues of all securities proposed to be issued prior to the Company's readmission to the Official List is set out below:

Capital Structure	Shares <sup>1</sup>	Unlisted Options <sup>1</sup>	Performance Rights	Shares (fully diluted)
Existing Shareholders (Post 23:1 Consolidation of Securities) <sup>2</sup>	6,825,035	3,272,951	Nil	10,097,986
Issue of Shares in consideration for the acquisition of NodeOne <sup>3</sup>	33,368,003	Nil	Nil	33,368,003
Issue of Shares in consideration for the acquisition of Swoop	89,401,261	Nil	Nil	89,401,261
Issue of Public Offer Shares <sup>4</sup>	40,000,000	Nil	Nil	40,000,000
Issue of Performance Rights pursuant to the Incentive Plan <sup>5</sup>	Nil	Nil	6,151,088	6,151,088
Issue of Options to Forrest Capital Pty Ltd <sup>6</sup>	Nil	1,500,000	Nil	1,500,000
<b>Completion of all Resolutions</b>	<b>169,594,299</b>	<b>4,772,951</b>	<b>6,151,088</b>	<b>180,518,338</b>

### Notes

1. Assuming no other securities are issued prior to Completion.
2. Based on 156,972,435 Shares and 75,277,782 Options on issue as at the date of this announcement (pre-Consolidation) and completion of the Consolidation and factoring in anticipated rounding of fractional entitlements.
3. This includes the Consideration Shares to be issued for the acquisition of Fiwi, a holding entity of 41.1% of the issued shares of NodeOne.
4. Assuming completion of a Public Offer of \$20,000,000 through the issue of 40,000,000 Shares at \$0.50 per Share (on a post-Consolidation basis).
5. Subject to Shareholder approval of the terms of the Incentive Plan and Shareholder approval for the issue of Performance Rights to Mr Pearce, Mr Grist and Mr Spenceley.
6. To be issued to Forrest Capital Pty Ltd in consideration for termination of a prior lead manager agreement with Forrest Capital Pty Ltd.

### Board Composition and Senior Management

It is proposed that upon Completion, the Board will comprise existing director Jonathan Pearce (as a Non-Executive Director), and new directors Mr James Spenceley as Non-Executive Chairman, Mr Tony Grist as Non-Executive Deputy Chairman, Mr William (Paul) Reid, as a Non-Executive Director and Mr Matthew Hollis as an Executive Director. Tim Grice and Ryan Legudi will resign from the Board on Completion.

Mr Spenceley is the Chairman of Swoop and joined Swoop in October 2019. Prior to joining Swoop, Mr Spenceley was the founder and former CEO of Vocus Communications (now Vocus Group ASX:VOC), one of Australia's largest telecommunications companies. Mr Spenceley

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founded Vocus in 2007 and when he left the business in 2016 it was a multi-billion dollar business and had become an ASX 100 Company. Mr Spenceley is also the Chairman of online job marketplace Airtasker, a Non-Executive Director of ASX listed Think Childcare (ASX:TNK) and is a Non-Executive Director of the children's charity, the Humpty Dumpty Foundation.

Mr Reid has spearheaded Swoop's strategic direction model over the past 5 years. Prior to joining Swoop in 2008, Mr Reid was a management consultant with over 15 years of experience, holding roles as Principal at A.T Kearney, and Senior Management Consultant at Anderson Consulting. Mr Reid has managed network deployment for Swoop across Australia along with the development of the Business Grade product and Wholesale Partner Channel.

Mr Hollis joined Swoop in October 2019 and has been managing successful high growth sales, marketing and product teams in the IT&T space since 2005. Mr Hollis commenced his career in sales at PIPE Networks, prior to PIPE being acquired by TPG. Mr Hollis then moved to ASX-listed Vocus Group Limited where he worked for 7 years and helped to grow the sales team from 3 to 110 salespeople, 10+ acquisitions and a market capitalisation at peak of \$5 billion. Mr Hollis most recently served as an executive director at ASX-listed Superloop, where he gained an in-depth insight into the telco landscape in Singapore and Hong Kong.

Mr Grist has been involved in the management of publicly listed companies across a range of industries both in Australia and overseas. In 1990 he founded Albion Capital Partners. Mr Grist was co-founder and Chairman of ASX listed Amcom Telecommunications Ltd. He led the merger with Vocus Communications helping create a major Trans-Tasman fibre optic carrier business and served as Deputy Chairman of the merged business. Until the in-specie distribution of its iiNet shareholding to Amcom shareholders, and ultimate takeover of iiNet by TPG, Amcom was the largest shareholder of iiNet Ltd, Australia's 2nd largest DSL internet service provider. Mr Grist is a director of the PLC Foundation, a director of The Minderoo Foundation, and is a Director of the Fremantle Football Club.

The CEO of Swoop, Alex West, will be appointed as the Group CEO to provide strategic alignment and the other senior management of Swoop and NodeOne as noted above will continue to manage their respective businesses.

The existing and proposed directors of the Company and certain Vendors of Swoop and NodeOne propose to acquire (either directly or indirectly via their controlled entities) Shares in the Public Offer at an issue price of \$0.50 per Share up to the following maximum amounts, subject to the Company obtaining the relevant Shareholder approvals:

- (a) Oaktone (a vendor of Swoop and NodeOne and associate of Tony Grist, a proposed director) – up to 3,000,000 Shares;
- (b) James Spenceley (a proposed director and an associate of a vendor of Swoop) – up to 4,000,000 Shares;
- (c) William (Paul) Reid (a vendor of Swoop and proposed director) – up to 60,000 Shares;
- (d) Tim Grice (a current director) – up to 200,000 Shares;
- (e) Ryan Legudi (a current director) – up to 200,000 Shares;
- (f) Jonathan Pearce (a current director) – up to 2,000,000 Shares;
- (g) Tattarang Ventures Pty Ltd (a vendor of Swoop and NodeOne) – up to 2,000,000 Shares; and

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(h) E&P Investments Limited (a vendor of NodeOne) – up to 800,000 Shares.

No other Shares in the Public Offer are proposed to be subscribed for by current or proposed directors, material parties or their family members.

In addition, the Company proposes to issue up to 6,151,088 Performance Rights to Mr Pearce, Mr Grist and Mr Spenceley upon Completion, subject to Shareholder approval.

### ***Relationship between the Company and the vendors***

The following vendors currently hold Shares in the Company:

- (a) Oaktone Nominees Pty Ltd (**Oaktone**) (a vendor of Swoop and NodeOne (via its holding in Fiwi)), which currently holds 19,420 Shares (on a post-Consolidation basis). Oaktone is deemed to be a related party of the Company by virtue of being controlled by Mr Tony Grist, who is proposed to be appointed as a Director at Completion; and
- (b) Tisia Nominees Pty Ltd (a shareholder of NodeOne), which currently holds 110,302 Shares (on a post-Consolidation basis).

In addition, Denlin Nominees Pty Ltd (**Denlin Nominees**), currently holds 1,096,392 Shares (on a post-Consolidation basis). Denlin Nominees is not a vendor, however Denlin Nominees and Oaktone are both controlled by Mr Anthony Grist, who is currently a director of Swoop and who will be appointed as a Director at Completion. The voting power of Denlin Nominees and Oaktone prior to the execution of the Acquisition Agreements was 16.35%.

Upon signing the Acquisition Agreements, all vendors were deemed to become associates of one another by virtue of acting in concert in relation to the affairs of the Company. Each vendor could also be considered to be an associate of Denlin Nominees on the same basis and by virtue of the fact that Denlin Nominees is controlled by Mr Grist, a director of Swoop and controller of Oaktone.

As a result of this association, Denlin Nominees and each vendor currently have voting power in the Company of 17.96% (comprising the relevant interests in Shares of Denlin Nominees, Oaktone and Tisia Nominees Pty Ltd).

Accordingly, for the purpose of ASX Listing Rule 10.1, each vendor is deemed to be a “substantial 10%+ holder” in the Company. As the value of Swoop and NodeOne exceeds 5% of the equity interests of the Company, Shareholder approval for the acquisition of Swoop and NodeOne from the vendors will be sought for the purpose of ASX Listing Rule 10.1.

### ***Control effect of the Acquisitions and the Public Offer***

In consideration for the acquisition of NodeOne, Swoop and Fiwi, the Company will issue 122,769,264 Shares (on a post-Consolidation basis) to the Vendors.

A number of the Vendors and associates of the Vendors wish to subscribe for Shares in the Public Offer. The maximum number of Shares being subscribed for by these parties is 11,280,000 (on a post-Consolidation basis).

N & J Enterprises (WA) Pty Ltd (a Vendor) has also entered into agreements to sell 1,200,000 of its Shares after Completion at a sale price of \$0.50 per Share (**Sell Down Agreements**), including:

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- (a) 400,000 Shares to Anthony Grist, a proposed Director and associate of another Vendor;  
and
- (b) 200,000 Shares to Tom Henderson, an associate of a Vendor,

as a result of which Mr Grist and Mr Henderson will acquire a relevant interest in those 400,000 Shares and 200,000 Shares respectively upon their issue (notwithstanding that they will be held by N & J Enterprises (WA) Pty Ltd until completion of the Sell Down Agreements).

As noted above, upon signing the Acquisition Agreements, each vendor is deemed to be an associate of each other vendor and Denlin Nominees. As a result of the issues of Shares to the Vendors and their associates pursuant to the Acquisition Agreements and the Public Offer and the acquisition of a relevant interest in 400,000 Shares and 200,000 Shares respectively by Mr Grist and Mr Henderson at Completion pursuant to the Sell Down Agreements, the voting power in the Company of the vendors and their associates is expected to increase from 17.96% to a maximum of 80.12% at Completion.

As this maximum voting power will exceed 20%, the Company will seek Shareholder approval for the purpose of Section 611 item 7 of the Corporations Act for the acquisition by the vendors and certain associates of the Vendors of a relevant interest in 134,649,264 Shares (on a post-Consolidation basis).

Immediately after Completion, the vendors will cease to be associates of each other and Denlin Nominees unless they were otherwise associated prior to signing the Acquisition Agreements. No Vendor nor any other person will hold in excess of 19.9% of the issued capital of the Company following Completion.

***Financial information relating to the Company, Swoop and NodeOne***

Set out in Appendix 1 are:

- (a) Item 1 - audited historical financial information on Swoop and NodeOne for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- (b) Item 2 - a reviewed pro-forma balance sheet of the Company (as at 30 June 2020) assuming that the Company has completed the Public Offer, Completion has occurred and all other securities proposed to be issue in conjunction with the Acquisitions has occurred.

The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

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### Indicative Timetable

An indicative timetable for completion of the Acquisitions and the associated transactions is set out below:

Event	Date*
Execution of the Acquisition Agreements	19 February 2021
Announcement of Acquisitions	24 February 2021
Notice of Meeting for the Acquisitions sent to Shareholders	12 March 2021
Lodge prospectus for the Public Offer with ASIC	17 March 2021
Opening date of Public Offer	24 March 2021
Shareholder Meeting to approve the Acquisitions, Consolidation and Public Offer	13 April 2021
Consolidation effective date	13 April 2021
Record date for Consolidation	16 April 2021
Closing date of Public Offer	16 April 2021
Completion of Acquisitions	27 April 2021
Issue of Shares under the Public Offer	27 April 2021
Despatch of holding statements	27 April 2021
Re-quotation on the ASX	30 April 2021

Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

### Key Terms of the Acquisitions

Pursuant to Acquisition between SF1 and the shareholders of Swoop, NodeOne and Fiwi respectively, SF1 has agreed to acquire 100% of the issued share capital in Swoop, and NodeOne, subject to the satisfaction or waiver of a number of conditions precedent.

A summary of the key terms of the Acquisitions is set out below. The Acquisition Agreements will also contain warranties and indemnities granted by and to SF1, among other terms.

#### 1. Consideration Shares

Subject to satisfaction or waiver of conditions precedent to the Acquisitions (summarised below) the consideration payable in respect of the Acquisitions is a total of 122,769,264 Shares (on a post-Consolidation basis) (**Consideration Shares**) comprising:

- (a) **(NodeOne consideration):** 33,368,003 Shares (on a post-Consolidation basis) to be issued at Completion to the NodeOne vendors (this includes the Consideration Shares to be issued for the acquisition of Fiwi, a holding entity of 41.1% of the issued shares of NodeOne); and

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- (b) **(Swoop consideration):** 89,401,261 Shares (on a post-Consolidation basis) to be issued at Completion to the Swoop vendors.

## 2. **Conditions Precedent**

Completion of the Acquisitions will be subject to a number of conditions precedent, including, but not limited to:

- (a) the Company obtaining all necessary approvals to give effect to the terms of the Acquisition Agreements including, without limitation, shareholder approvals under the ASX Listing Rules and the Corporations Act to allow the Company to:
- (i) acquire the issued capital of Swoop, NodeOne and Fiwi (including approval for the purpose of ASX Listing Rule 10.1);
  - (ii) issue the Consideration Shares (including approval for the purpose of section 611 item 7 of the Corporations Act);
  - (iii) issue Shares under the Public Offer;
  - (iv) complete the Consolidation;
  - (v) change the Company's name to 'Swoop Holdings Limited';
  - (vi) adopt a long-term incentive plan;
  - (vii) issue performance rights to Jonathan Pearce, James Spenceley and Tony Grist under the long-term incentive plan; and
  - (viii) appoint the proposed directors as directors of the Company;
- (b) the Company completing the Consolidation;
- (c) the Company raising at least \$15 million under the Public Offer or such other amount agreed between the parties sufficient to achieve ASX's minimum spread and free float requirements;
- (d) the Company having received conditional approval from ASX to reinstate the securities of the Company to trading on terms reasonably acceptable to Swoop and NodeOne;
- (e) Swoop completing a selective capital reduction of the shares of any Swoop shareholder who does not sign a formal acquisition agreement in respect of its Swoop shares (provided that the number of Swoop shares to be cancelled is no more than 5% of the issued capital of Swoop);
- (f) there being no material adverse changes to the Company, Swoop or NodeOne between the signing and completion of the formal agreements.

Completion of each Acquisition Agreement will be subject to, and contemporaneous with, the completion of the acquisition agreements relating to the other target entities.

If any condition is not satisfied or waived on or before 31 May 2021, a party may terminate the Acquisition Agreements by giving notice to the other parties.



## **Shareholder Approval**

At the Company's general meeting, anticipated to be held in April 2021, the Company proposes to seek shareholder approval to change its activities (in accordance with ASX Listing Rule 11.1.2) as a result of the Acquisitions, and all other resolutions required to give effect to the Acquisitions, including those set out in the summary of the conditions precedent above.

In addition, the Company also proposes to seek:

- shareholder approval for existing directors to participate in the Public Offer; and
- Shareholder approval for the revised terms of the sale of the STEM Business to BOXL, as detailed above.

## **ASX waivers and confirmations obtained**

The Company has sought and obtained the following waivers and confirmations from ASX:

### *Waiver Decision – Listing Rule 10.13.5*

ASX has granted the Company a waiver of ASX Listing Rule 10.13.5 to the extent necessary to permit this Notice not to state that, in relation to up to 940,000 Shares to be issued to current Directors in the Public Offer (**Related Party Securities**), that the Related Party Securities will be issued no later than one (1) month after the date of the Shareholder meeting, on the following conditions:

- (a) the Related Party Securities are issued by no later than the date that the Public Offer Shares are issued which must be no later than three (3) months after the date of the Meeting;
- (b) the Related Party Securities are issued pursuant to the relevant terms and conditions set out in the Notice pursuant to which the Company will seek the approval required under ASX Listing Rule 11.1.2 for the Acquisitions;
- (c) the circumstances of the Company, as determined by the ASX, have not materially changed since the Shareholders approved the issue of the Related Party Securities; and
- (d) the terms of the waiver are clearly disclosed in the Notice of the Meeting and in the prospectus to be issued in respect of the Public Offer.

### *Confirmation Decision – Listing Rule 6.1*

ASX has confirmed that the terms of the Performance Rights proposed to be issued are appropriate and equitable pursuant to ASX Listing Rule 6.1, subject to a number of standard conditions which are set out in Appendix 3.

## **Regulatory Matters**

The Company confirms that it is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.

ASX takes no responsibility for the contents of this announcement.

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**Authorised by:**

**Tim Grice**  
**Chairman**

**Jonathan Pearce**  
**Director**

**Maggie Niewidok**  
**Company Secretary**

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**Important Notice**

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## APPENDIX 1 – FINANCIAL INFORMATION

### Item 1- Audited historical financial information on Swoop and NodeOne for the years ended 30 June 2018, 30 June 2019 and 30 June 2020

#### Swoop Group

##### *Cirrus Communications Pty Ltd*

The following table shows the audited historical consolidated statements of profit and loss and other comprehensive income for Cirrus Communications Pty Ltd and its controlled entities (being: Cirrus Integrations Pty Ltd and, from 30 April 2020, Anycast Holdings Pty Ltd, Bosley Holdings Pty Ltd and Anycast Networks (NZ) Ltd) for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018:

<b>\$'millions</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		<b>9.2</b>	<b>6.8</b>	<b>6.6</b>
Other income	*1	17.1	-	-
Cost of sales		(3.1)	(2.1)	(2.0)
Employee benefit expense		(2.8)	(1.6)	(1.4)
Administrative expenses		(0.8)	(0.4)	(0.2)
Other operating expenses		(1.3)	(0.9)	(0.8)
<b>EBITDA</b>		<b>18.3</b>	<b>1.8</b>	<b>2.2</b>
Depreciation & amortisation expense		(3.7)	(2.1)	(1.9)
Impairment of property, plant & equipment	*2	(0.3)	-	-
<b>EBIT</b>		<b>14.3</b>	<b>(0.3)</b>	<b>0.3</b>
Finance costs	*1	(0.3)	(2.6)	(2.3)
<b>Profit/ (loss) before income tax</b>		<b>14.0</b>	<b>(2.9)</b>	<b>(2.0)</b>
Income tax expense		0.4	-	-
<b>Profit/ (loss) for the year</b>		<b>14.4</b>	<b>(2.9)</b>	<b>(2.0)</b>
<b>Total comprehensive income/ (loss) for the year</b>		<b>14.4</b>	<b>(2.9)</b>	<b>(2.0)</b>

\*1 Prior to October 2019, Cirrus had been substantially funded through shareholder loans and made provision for interest on these loans. As a result of a financial restructure in October 2019, interest provision to that date of \$17.1m was forgiven and written-back as other income.

\*2 In the year ended 30 June 2020, Cirrus reviewed the carrying values of its property, plant and equipment assets and made an additional impairment charge of \$0.3m.

The following table shows the audited historical consolidated statements of cash flows for Cirrus for the years ending 30 June 2020, 30 June 2019 and 30 June 2018:

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<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Receipts from customers	10.6	7.5	7.2
Payments to suppliers and employees	(9.0)	(5.2)	(4.8)
Finance costs	(0.3)	-	-
Income taxes paid	(0.4)	-	-
<b>Net cash from operating activities</b>	<b>0.9</b>	<b>2.3</b>	<b>2.4</b>
Net of cash paid on acquisition of subsidiaries	(0.9)	-	-
Purchase of property, plant and equipment	(3.6)	(2.7)	(2.6)
<b>Net cash used in investing activities</b>	<b>(4.5)</b>	<b>(2.7)</b>	<b>(2.6)</b>
Proceeds from issue of shares	7.1	-	-
Repayment of lease liabilities	(0.8)	-	-
Proceeds from/ (repayment of) borrowings	(0.2)	0.2	0.4
<b>Net cash from financing activities</b>	<b>6.1</b>	<b>0.2</b>	<b>0.4</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>2.5</b>	<b>(0.2)</b>	<b>0.2</b>
Cash & cash equivalents at the start of the financial year	0.1	0.3	0.1
<b>Cash and cash equivalents at the end of the financial year</b>	<b>2.6</b>	<b>0.1</b>	<b>0.3</b>

Cirrus only acquired Anycast & Bosley with effect from 30 April 2020. Accordingly, the historical consolidated results and cash flows for Cirrus above exclude any contributions from Anycast & Bosley in the financial years ending 30 June 2019 and 30 June 2018, and only include two months of contributions in the financial year ending 30 June 2020. Further information on the historical results and cash flows of Anycast & Bosley on a standalone basis are shown below.

### **Anycast**

The audited historical consolidated statements of profit and loss and other comprehensive income for Anycast and its controlled entity (Anycast Networks (NZ) Ltd) for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018 are shown in the table below:

<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>7.0</b>	<b>5.8</b>	<b>4.6</b>
Other income	0.7	0.2	0.3
Cost of sales	(4.5)	(4.6)	(3.8)
Employee benefit expense	(0.6)	(0.5)	(0.5)
Other expenses	(0.8)	(0.6)	(0.5)
<b>EBITDA</b>	<b>1.8</b>	<b>0.3</b>	<b>0.1</b>
Depreciation & amortisation expense	(0.5)	(0.1)	(0.1)
<b>EBIT</b>	<b>1.3</b>	<b>0.2</b>	-
Finance costs	(0.1)	-	-
<b>Profit before income tax</b>	<b>1.2</b>	<b>0.2</b>	-
Income tax expense	(0.3)	(0.1)	-
<b>Profit for the year</b>	<b>0.9</b>	<b>0.1</b>	-
<b>Total comprehensive income for the year</b>	<b>0.9</b>	<b>0.1</b>	-

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The following table shows the audited historical consolidated statements of cash flows for Anycast for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018:

<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Receipts from customers	7.8	6.7	4.9
Payments to suppliers and employees	(7.0)	(6.5)	(4.7)
Income taxes paid	0.1	0.2	(0.1)
<b>Net cash from operating activities</b>	<b>0.9</b>	<b>0.4</b>	<b>0.1</b>
Purchase of property, plant and equipment	(0.2)	(0.1)	-
<b>Net cash used in investing activities</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>-</b>
Repayment of lease liabilities	(0.3)	(0.1)	-
Proceeds of other liabilities	0.2	-	-
Repayment of financial liabilities	(0.1)	(0.1)	(0.1)
<b>Net cash used in financing activities</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.1)</b>
<b>Net increase in cash and cash equivalents</b>	<b>0.5</b>	<b>0.1</b>	<b>-</b>
Cash & cash equivalents at the start of the financial year	0.1	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>0.6</b>	<b>0.1</b>	<b>-</b>

### **Bosley**

The audited historical statements of profit and loss and other comprehensive income for Bosley for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018 are shown in the table below:

<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>7.4</b>	<b>6.3</b>	<b>5.6</b>
Other income	0.2	0.1	0.3
Cost of sales	(4.5)	(4.0)	(3.9)
Employee benefit expense	(1.5)	(1.5)	(1.5)
Administrative expenses	(0.1)	(0.1)	(0.1)
Other operating expenses	(0.3)	(0.4)	(0.3)
<b>EBITDA</b>	<b>1.2</b>	<b>0.4</b>	<b>0.1</b>
Depreciation & amortisation expense	(0.3)	(0.2)	(0.1)
<b>EBIT</b>	<b>0.9</b>	<b>0.2</b>	<b>-</b>
Finance costs	(0.1)	(0.1)	(0.1)
<b>Profit/ (loss) before income tax</b>	<b>0.8</b>	<b>0.1</b>	<b>(0.1)</b>
Income tax expense	(0.1)	-	-
<b>Profit/ (loss) for the year</b>	<b>0.7</b>	<b>0.1</b>	<b>(0.1)</b>
<b>Total comprehensive income/ (loss) for the year</b>	<b>0.7</b>	<b>0.1</b>	<b>(0.1)</b>

The following table shows the audited historical statements of cash flows for Bosley for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018:

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<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Receipts from customers	8.3	7.2	6.3
Payments to suppliers and employees	(7.1)	(6.8)	(5.6)
Finance costs	(0.1)	(0.1)	(0.1)
Income taxes paid	-	-	(0.1)
<b>Net cash from operating activities</b>	<b>1.1</b>	<b>0.3</b>	<b>0.6</b>
Purchase of property, plant and equipment	(0.2)	(0.2)	(0.2)
Proceeds from sale of property, plant and equipment	0.1	-	-
<b>Net cash used in investing activities</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>
Repayment of financial liabilities	(0.2)	(0.1)	-
Repayment of other liabilities	(0.1)	-	(0.3)
Payment of lease liabilities	(0.1)	-	-
<b>Net cash from financing activities</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.3)</b>
<b>Net increase in cash and cash equivalents</b>	<b>0.6</b>	<b>-</b>	<b>0.1</b>
Cash & cash equivalents at the start of the financial year	0.1	0.1	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>

## NodeOne Group

### N1 Telecommunications

The following table shows the audited historical consolidated statement of profit and loss and other comprehensive income for N1 Telecommunications Pty Ltd and controlled entities (being Node1 Pty Ltd and N1 Wholesale Pty Ltd) for the period to 30 June 2020:

<b>\$'millions</b>	<b>2020</b>
<b>Revenue from services rendered</b>	<b>5.9</b>
Other income	0.5
Network access fees	(3.2)
Employee benefit expense	(1.5)
Other expenses	(0.8)
<b>EBITDA</b>	<b>0.9</b>
Depreciation & amortisation expense	(0.3)
<b>EBIT</b>	<b>0.6</b>
Finance costs	-
<b>Profit before income tax</b>	<b>0.6</b>
Income tax expense	(0.1)
<b>Profit for the year</b>	<b>0.5</b>
<b>Total comprehensive income for the year</b>	<b>0.5</b>

The following table shows the audited historical consolidated statement of cash flows for N1 Telecommunications Pty Ltd and controlled entities for the period to 30 June 2020:

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<b>\$'millions</b>	<b>2020</b>
Receipts from customers	6.0
Payments to suppliers and employees	(4.5)
<b>Net cash from operating activities</b>	<b>1.5</b>
Purchase of property, plant and equipment	(1.5)
Purchase of intangible assets	(0.2)
<b>Net cash used in investing activities</b>	<b>(1.7)</b>
Proceeds from issue of shares	1.0
Share issue transaction costs	(0.1)
Lease payments	(0.1)
<b>Net cash from financing activities</b>	<b>0.8</b>
<b>Net increase in cash and cash equivalents</b>	<b>0.6</b>
Cash & cash equivalents at the start of the financial year	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>0.6</b>

N1 Telecommunications Pty Ltd is an interposed holding company set-up to become the holding company of Node1 Pty Ltd and N1 Wholesale Pty Ltd (that were under common control). N1 Telecommunications Pty Ltd was incorporated on the 5th February 2020 and became the parent of these two companies on the 6th March 2020 through an exchange of interests transaction. The historical consolidated results and cash flows for the NodeOne Group shown above include Node1 Pty Ltd and N1 Wholesale Pty Ltd for the full financial year ending 30 June 2020. Further information on the historical results and cash flows of the individual companies, Node1 Pty Ltd and N1 Wholesale Pty Ltd, is shown below.

### **Node1 Pty Ltd**

The audited historical statements of profit and loss and other comprehensive income for Node1 Pty Ltd for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018 are shown in the tables below:

<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Sales revenue</b>	<b>5.7</b>	<b>4.6</b>	<b>3.5</b>
Other income	0.1	-	-
Purchases	(0.2)	(0.2)	(0.2)
Network access fees	(3.8)	(4.0)	(2.5)
Sub-contractors	-	(0.2)	(0.4)
Payroll expenses	(1.0)	-	-
Discounts allowed	(0.2)	(0.1)	(0.1)
Marketing expense	(0.3)	(0.1)	(0.1)
Administration expenses	(0.2)	(0.1)	-
Other expenses	(0.2)	-	-
<b>EBITDA</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.2</b>
Depreciation & amortisation expense	-	-	-
<b>EBIT</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.2</b>
Finance costs	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.2</b>
Income tax expense	-	-	(0.1)
<b>Profit/ (loss) for the year</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>
<b>Total comprehensive income/ (loss) for the year</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>

Included within the network access fees expense line above for the years ending 30 June 2020, 30 June 2019 and 30 June 2018 are \$3.8m, \$4.0m and \$2.5m respectively in charges from N1 Wholesale Pty Ltd.

The following table shows the audited historical statements of cash flows for Node1 Pty Ltd for the three years ending 30 June 2020, 30 June 2019 and 30 June 2018:

<b>\$'millions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Receipts from customers	5.7	4.6	3.1
Payments to suppliers and employees	(5.5)	(4.6)	(3.1)
<b>Net cash from operating activities</b>	<b>0.2</b>	-	-
Purchase of property, plant and equipment	(0.1)	-	-
Purchase of intangible assets	(0.2)	-	-
<b>Net cash used in investing activities</b>	<b>(0.3)</b>	-	-
Proceeds from share issue	0.2	-	-
<b>Net cash from financing activities</b>	<b>0.2</b>	-	-
<b>Net increase in cash and cash equivalents</b>	<b>0.1</b>	-	-
Cash & cash equivalents at the start of the financial year	-	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>0.1</b>	-	-

#### **N1 Wholesale Pty Ltd**

The following table shows the audited historical statement of profit and loss and other comprehensive income for N1 Wholesale Pty Ltd for the year ended 30 June 2020:

<b>\$'millions</b>	<b>Note</b>	<b>2020</b>
<b>Sales revenue</b>	*1	<b>4.1</b>
Other income		0.3
Purchases		(0.4)
Network access fees		(2.3)
Payroll expenses		(0.4)
Administration expenses		(0.4)
Other expenses		(0.1)
<b>EBITDA</b>		<b>0.8</b>
Depreciation & amortisation expense		(0.2)
<b>EBIT</b>		<b>0.6</b>
Finance costs		-
<b>Profit before income tax</b>		<b>0.6</b>
Income tax expense		(0.1)
<b>Profit for the year</b>		<b>0.5</b>
<b>Total comprehensive income for the year</b>		<b>0.5</b>

\*1 Included within revenue is \$3.8m in respect of sales to Node1 Pty Ltd.



The following table shows the audited historical statement of cash flows for N1 Wholesale Pty Ltd for the year ended 30 June 2020:

<b>\$'millions</b>	<b>2020</b>
Receipts from customers	3.6
Payments to suppliers and employees	(2.9)
Other income	0.3
<b>Net cash from operating activities</b>	<b>1.0</b>
Purchase of property, plant and equipment	(1.4)
<b>Net cash used in investing activities</b>	<b>(1.4)</b>
Proceeds from issue of shares	0.2
Proceeds from borrowings	0.2
<b>Net cash from financing activities</b>	<b>0.4</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>
Cash & cash equivalents at the start of the financial year	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>-</b>

N1 Wholesale Pty Ltd acquired the wholesale business of the NodeOne group with effect from the start of the financial year ended 30 June 2020. Prior to 1 July 2019, the wholesale business of N1 Wholesale Pty Ltd was part of a larger business group, in a trust managed by Logic IT Solutions Pty Ltd, and separate standalone financial information was not prepared and audited.

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## Item 2- Reviewed pro-forma balance sheet of the Company (as at 30 June 2020)

The following table shows the audited historical and unaudited pro forma consolidated statements of financial position of the Company as at 30 June 2020.

The audited historical consolidated statement of financial position of the Company as at 30 June 2020, prior to Completion and the Offer, is shown in the first column.

The pro forma consolidated statement of financial position is shown in the final column. It is provided for illustrative purposes only and assumes, as shown in the other columns, that:

- the Company had completed the Public Offer and raised \$20 million before costs,
- Completion had occurred; and
- certain other post 30 June 2020 transactions, had occurred as at 30 June 2020.

The pro forma consolidated statement of financial position is not represented as being necessarily indicative of Company's future financial position.

\$ millions	Stemify Group	Swoop Group	NodeOne Group	Effects of Offer	Swoop Equity	NodeOne Equity	Swoop Incentives	Stemify Acquisition	NodeOne Acquisition	Forrest Options	Capital Reduction	Proforma Group
Notes:	*1	*2	*3	*4	*5	*6	*7	*8	*9	*10	*11	
Cash and cash equivalents	1.0	2.6	0.6	18.3	5.5	1.0	(2.3)	-	-	-	(0.2)	26.5
Trade and other receivables	0.5	1.4	0.7	-	-	-	-	-	-	-	-	2.6
Inventories	-	0.2	0.1	-	-	-	-	-	-	-	-	0.3
Other current assets	-	-	0.3	-	-	-	-	-	-	-	-	0.3
<b>Total current assets</b>	<b>1.5</b>	<b>4.2</b>	<b>1.7</b>	<b>18.3</b>	<b>5.5</b>	<b>1.0</b>	<b>(2.3)</b>	-	-	-	<b>(0.2)</b>	<b>29.7</b>
Property, plant & equipment	-	7.7	1.4	-	-	-	-	-	-	-	-	9.1
Financial assets at FVTOCI	0.2	-	-	-	-	-	-	-	-	-	-	0.2
Deferred tax assets	-	0.6	-	-	-	-	-	-	-	-	-	0.6
Intangible assets	-	6.2	0.3	-	-	-	-	-	14.3	-	-	20.8
Right-of-use assets	-	5.5	0.3	-	-	-	-	-	-	-	-	5.8
Employee share loans	-	5.0	-	-	1.1	-	(2.0)	-	-	-	-	4.1
<b>Total non-current assets</b>	<b>0.2</b>	<b>25.0</b>	<b>2.0</b>	-	<b>1.1</b>	-	<b>(2.0)</b>	-	<b>14.3</b>	-	-	<b>40.6</b>
<b>Total assets</b>	<b>1.7</b>	<b>29.2</b>	<b>3.7</b>	<b>18.3</b>	<b>6.6</b>	<b>1.0</b>	<b>(4.3)</b>	-	<b>14.3</b>	-	<b>(0.2)</b>	<b>70.3</b>
Trade and other payables	(0.4)	(2.2)	(1.2)	-	-	-	-	-	-	-	-	(3.8)
Financial liabilities	(0.1)	-	(0.1)	-	-	-	-	-	-	-	-	(0.2)
Lease liabilities	-	(1.5)	-	-	-	-	-	-	-	-	-	(1.5)
Provisions	-	(0.3)	-	-	-	-	-	-	-	-	-	(0.3)
Employee benefits	-	(0.6)	(0.1)	-	-	-	-	-	-	-	-	(0.7)
Other current liabilities	-	(0.2)	(0.2)	-	-	-	-	-	-	-	-	(0.4)
<b>Total current liabilities</b>	<b>(0.5)</b>	<b>(4.8)</b>	<b>(1.6)</b>	-	-	-	-	-	-	-	-	<b>(6.9)</b>
Financial liabilities	-	-	(0.2)	-	-	-	-	-	-	-	-	(0.2)
Lease liabilities	-	(4.5)	(0.4)	-	-	-	-	-	-	-	-	(4.9)
Deferred tax liabilities	-	(0.3)	(0.1)	-	-	-	-	-	-	-	-	(0.4)
Employee benefits	-	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)
<b>Total non-current liabilities</b>	-	<b>(4.9)</b>	<b>(0.7)</b>	-	-	-	-	-	-	-	-	<b>(5.6)</b>
<b>Total liabilities</b>	<b>(0.5)</b>	<b>(9.7)</b>	<b>(2.3)</b>	-	-	-	-	-	-	-	-	<b>(12.5)</b>
<b>Net Assets</b>	<b>1.2</b>	<b>19.5</b>	<b>1.4</b>	<b>18.3</b>	<b>6.6</b>	<b>1.0</b>	<b>(4.3)</b>	-	<b>14.3</b>	-	<b>(0.2)</b>	<b>57.8</b>
Issued capital	29.3	29.6	0.5	18.7	6.6	1.0	-	(25.9)	15.2	-	(0.2)	74.8
Reserves	1.4	-	0.4	-	-	-	-	(1.2)	(0.4)	0.2	-	0.4
Accumulated losses	(29.5)	(10.1)	0.5	(0.4)	-	-	(4.3)	27.1	(0.5)	(0.2)	-	(17.4)
<b>Total Equity</b>	<b>1.2</b>	<b>19.5</b>	<b>1.4</b>	<b>18.3</b>	<b>6.6</b>	<b>1.0</b>	<b>(4.3)</b>	-	<b>14.3</b>	-	<b>(0.2)</b>	<b>57.8</b>

### Notes:

\*1 Stemify Limited audited consolidated Statement of Financial Position at 30 June 2020.

\*2 Cirrus Communications Pty Ltd audited consolidated Statement of Financial Position at 30 June 2020.



- \*3 N1 Telecommunications Pty Ltd audited consolidated Statement of Financial Position at 30 June 2020.
- \*4 \$20m capital raised (40m shares at 50c per share) from the Offer less \$1.7m cash costs. Costs split estimated at \$1.3m for the cost of raising equity and \$0.4m for costs of re-listing.
- \*5 Shares issued by Cirrus Communications Pty Ltd between 30 June 2020 and Completion.
- \*6 Shares issued by N1 Telecommunications Pty Ltd between 30 June 2020 and Completion.
- \*7 Incentives payable by Swoop at Completion of which \$2m will reduce Employee Share Loan balances and \$2.3m will be paid in cash.
- \*8 Swoop is assumed to be the acquirer for a reverse acquisition of Stemify for a cost of \$3.6m (being 6.8m shares held by existing shareholders post completion plus \$0.2m valuation of existing convertible securities) with the \$2.4m excess over Stemify net assets expensed as a cost of relisting.
- \*9 NodeOne Group is acquired for \$16.7m (33.4m shares) with \$14.3m excess over net assets being allocated to intangibles on a preliminary basis.
- \*10 Expense of options issued to Forrest Capital Pty Ltd in consideration for cancellation of lead manager mandate.
- \*11 Pre-completion capital reduction by Swoop in accordance with Acquisition Agreements.

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## APPENDIX 2 – INFORMATION ABOUT SWOOP AND NODEONE

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### 1. What is the regulatory environment in which the Group will operate?

Although the Telecommunications Act in 1997 transformed the Australian telecommunications industry into a more deregulated and open marketplace, it remains a highly regulated industry, with successive governments seeking to ensure customers retain access to competitive telecommunications services.

The regulatory framework includes:

- (a) the Telecommunications Act 1997 (Cth), which provides a regulatory framework and requires owners of a telecommunications network that supplies services to the public to hold a carrier licence; and
- (b) the Competition and Consumer Act 2010 (Cth) (**CCA**) which regulates market conduct, consumer protection and access to telecommunications infrastructure.

Under the CCA, the Australian Communications and Media Authority (**ACMA**) is the governing body responsible for issuing carrier licences and maintaining the access regime, and the Australian Competition and Consumer Commission (**ACCC**) is responsible for economic regulation and consumer protection.

Under the CCA, the ACCC can declare telecommunications services available for third-party access, where otherwise typically one or small number of integrated services could act as a bottleneck to competition. Once a service is declared, the ACCC can determine regulated terms and conditions for third-party access.

There are a number of currently declared telecommunications services including in respect of broadband services and the NBN, which ensure access for the Group, and competitors, to key network infrastructure. There are currently no declarations which impact the Group's own fixed wireless access networks.

The telecommunications sector is also subject to the Telecommunications Consumer Protections Code (**TCP Code**) and Australian Consumer Law. In particular, the TCP Code protects customers who use mobile phone, landline and internet services, including NBN, by ensuring providers follow rules including around customer: communications, advertising, accounts and payments, and transfers of services.

The Telecommunications Sector Security Reform (**TSSR**) also imposes obligations on carriers such as the Company to protect telecommunications networks and facilities from unauthorised interference or unauthorised access for national security purposes. The TSSR or any similar regulations introduced in future may impact potential suppliers available to the Company.

### 2. What are the key dependencies of the NodeOne and Swoop business models?

- (a) NodeOne and Swoop are dependent on continued access to class licence spectrum to operate its 5GHz, 24Ghz and 60GHz networks as allocated by ACMA at no cost. The spectrum is free for anyone to use and has been allocated by ACMA for general use and the tenure is not contract based.
- (b) NodeOne and Swoop use a variety of licenced spectrum services for backhaul links between fixed wireless towers and their core network. The company is



dependent on ACMA for access to licenced spectrum for its 11Ghz and 70/80 GHz network. ACMA will not cancel it unless the entity gives up the licence or break the rules for the licence;

- (c) NodeOne and Swoop are dependent on continued access to NBN wholesale services;
- (d) NodeOne and Swoop are dependent on continued access to fibre optic networks for backhaul links; and
- (e) Swoop is dependent on international cable system operators for access to network services for the supply of its wholesale services.

### 3. What are the key risks relating to the Swoop and NodeOne businesses?

- (a) Competition risks

Swoop and NodeOne (the **target entities**) face competition for customers from a number of alternative suppliers of broadband internet connectivity services, including resellers of NBN and mobile operators. A number of these competitors are major telecommunications businesses with much greater resources than Swoop and NodeOne.

Swoop and NodeOne's fixed wireless operations are in direct competition with the NBN based services and would be directly impacted by changes in the NBN wholesale pricing. Further improvements in NBN or other network operator infrastructure or reach, could reduce the relative attractiveness of Swoop and NodeOne's fixed wireless services and ability to compete on a profitable basis.

- (b) Changes in government policy and regulation

Swoop and NodeOne operate in a highly regulated environment. The target entities may be affected by changes to government policies and legislation, particularly relating to the telecommunications industry.

NodeOne uses class license spectrum for which it does not pay a fee and does not have exclusive use of the spectrum it uses. Although the Company does not anticipate any change to the availability of class license spectrum, the Company could be adversely impacted if access to, or the rules or costs governing the use of, this spectrum were to change.

Presently, s143 of the Telecommunications Act 1997 (Cth) imposes an obligation on owners of non-NBN fixed line networks capable of superfast broadband, to operate on only a wholesale basis. This regulation does not apply to fixed wireless network owners, such as NodeOne and Swoop. This allows NodeOne and Swoop to both own their networks and be the supplier and retailer of services to residential and business customers. If this regulation were to change it could have a materially adverse effect on the target entities' operations.

The Government has introduced a Regional Broadband tax on non-NBN operated fixed line services, which was in place from 1 January 2021 and seeks to establish NBN Co as the new default fixed-line operator in Australia, will see residential and business users of "NBN-equivalent" fixed line services hit with a monthly fee of \$7.10. If this tax is extended to cover mobile networks and fixed

wireless networks, it could adversely impact the target entities unless the charge is passed on to customers.

(c) Regulatory and licensing compliance risk

The target entities hold a number of carrier licences under the Telecommunications Act 1997 (Cth) which permit the target entities to provide carrier services.

In conducting their operations, the target entities are also required to comply with a range of laws and regulations applicable to the telecommunications, consumer protection, privacy, competition, employment and workplace safety.

A failure to comply with a licence conditions could result in the cancellation of a carrier licence or fines, and a failure to comply with applicable laws and regulations could result in restrictions or fines being imposed on the target entities, or legal proceedings being commenced against the target entities. These consequences would be likely to have a negative effect on the target entities' reputation and profitability, and adversely affect the target entities' financial performance.

The target entities mitigate this risk by conducting regular reviews (both internally and by engaging external advisers) to ensure compliance with its licences and applicable laws and regulations.

(d) Technology risks

The telecommunications and communications industry continues to experience rapid technological change and development. The target entities are at risk from major technological improvements in alternative services or on its ability to access and adapt to technological changes in a cost-effective manner.

(e) Integration and growth risks

The target entities are exposed to risks associated with pursuing growth through the continued rollout of its fixed wireless network, the combination and integration of the disparate businesses within the target entities and the pursuit of new geographies and customers.

There is a risk that the implementation of the target entities' growth and integration strategies will be subject to delays or cost overruns, and there is no guarantee that these strategies will be successful or generate growth.

(f) Network performance

The target entities depend on the performance, reliability and availability of its own and third party technology platforms. There is a risk that these platforms and systems may be adversely affected by a number of factors, including damage, equipment faults, power failure, computer viruses, malicious interventions, and natural disasters. Further, there is a risk that the target entities' operational processes, redundancy capacity and capability or disaster recovery plans may not adequately address every potential event.

Poor system performance could reduce the target entities' ability to provide the level of customer service required and cause damage to the brand, leading to a reduction in customer retention rates and revenue.

(g) Supplier risks

The target entities rely on key supplier arrangements with respect to the NBN wholesale services, fibre optic network operators, including the NBN, and international cable system operators.

Any loss of access to, disruption to, or performance failures of these services could cause harm to the target entities' business operations and reputation and loss of revenue resulting to the target entities (with limited ability to recoup any such loss from the supplier).

Further, a majority of the contracts with key suppliers are able to be terminated by the supplier upon short notice (such as 30 days). Whilst the target entities would likely be able to source comparable services from alternative suppliers, there may be disruption to the target entities' business during any transition period, or an increase in charges demanded by alternative suppliers, which could have an adverse impact on the target entities' operational and financial performance.

(h) Customer contract risks

Many customers, particularly residential customers of Swoop, are typically on short term or no contracts. These Swoop residential customers will account for approximately 50% of the target entities' revenue following Completion.

Further, the industry is subject to price sensitivity and competition that can lead to regular 'churn' of customers. This gives the target entities less security over future revenue levels.

(i) Key people

The target entities' success will be dependent upon their ability to retain and attract key employees. The target entities need staff with the capability and personal skills to design, install and operate telecommunications networks, attract and retain customers and respond appropriately to customer service requests.

A loss of key management or other team members and the inability to recruit suitable replacements or additional personnel within a reasonable time period may adversely affect the target entities' operations and financial performance.

(j) Brands and reputation

Swoop and NodeOne operate a number of brands and believe the reputation of their brands is a key to their success. The target entities' reputation, the value of its brands, and their ability to retain and attract new customers, may be damaged as a result of negative customer or end-user experiences due to poor product performance or product failures, adverse media coverage or other publicity.

(k) Data usage

The target entities will maintain their own and contracts additional wholesale capacity based on known and estimated data usage growth of its existing and future customers. If the target entities' customers' usage requirements exceed these capacities, the target entities service levels and reputation could be adversely affected and they may incur additional charges which may not be able to be recouped in full from its customers.

(l) Data security risks

It is possible that the target entities' procedures and systems may not stop or detect cyberattacks, data theft and hacking from obtaining unauthorised access to confidential data collected by the target entities. If such activities were successful, any data security breaches or the target entities' failure to protect confidential information could result in loss of information integrity, and breaches of the target entities' obligations under applicable laws or customer agreements.

(m) COVID-19

The outbreak of the coronavirus disease (**COVID-19**) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of Swoop and NodeOne remains unknown. Any governmental or industry measures taken in response to COVID-19 may adversely impact Swoop and NodeOne's operations and are likely to be beyond the control of the Swoop and NodeOne.

In particular, Swoop has experienced delays in the procurement of raw materials for the manufacture of components used in telecommunications equipment. The risk of these delays to the business of Swoop has been mitigated to an extent by Swoop procuring higher than average stock levels at the start of the COVID-19 outbreak, and the extension of future procurement process lead times.

The impact of COVID-19 on Australian business has also had an impact on sales of internet services in Australia. The small to medium business market segment has been adversely affected to a greater extent than other market segments, resulting in reduced new customer sales and higher customer cancellations than pre-COVID-19 averages in this segment. The decrease in customers in this segment has been offset to an extent by increased sales in wholesale and residential markets, however there is a risk that the ongoing impact of COVID-19 on customer demand in the small to medium business market (or in the market for internet services generally) could have an adverse impact on the performance of the target entities.

(n) Future acquisitions

As part of its growth strategy, the target entities may make further acquisitions of complementary businesses or enter into strategic alliances with third parties. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies or assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving mineral exploration success and retaining key staff.

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**APPENDIX 3 – CONDITIONS OF ASX APPROVAL FOR THE PURPOSE OF LISTING RULE 6.1**

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1.1 Shareholders approve the issue of the Performance Rights.

1.2 The notice of meeting seeking shareholder approval for the issue of the Performance Rights includes details of the following:

1.2.1 the party or parties to whom the Performance Rights are to be issued and the number of Performance Rights to be issued to them or each of them;

1.2.2 any relationship the recipient of the Performance Rights or an associate of the recipient has with the entity;

1.2.3 In respect of the Performance Rights proposed to be issued to incoming directors of the Company as incentive:

(a) a statement to that effect;

(b) details of the services being provided;

(c) details of all fees and other consideration (including securities) the incoming directors may receive for those services;

(d) if the incoming directors or any of the associates hold securities in the entity, details of those securities and the consideration they paid or provided for those securities;

(e) an explanation why the Company considered it necessary or appropriate to further reward the incoming directors with an issue of performance securities; and

(f) details of how the Company determined the number of performance securities to be issued to the incoming directors and why it considers that number to be appropriate and equitable;

1.2.4 The number of ordinary shares that the Performance Rights will convert into if the applicable performance milestone is met and the impact that will have on the entity's capital structure.

1.2.5 The Performance Rights are not quoted.

1.2.6 The Performance Rights are not transferrable.

1.2.7 The Performance Rights do not confer any right to vote, except as otherwise required by law.

1.2.8 The Performance Rights do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues.

1.2.9 The Performance Rights do not carry an entitlement to a dividend.

1.2.10 The Performance Rights do not permit the holder to participate in a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

1.2.11 The Performance Rights do not carry an entitlement to participate in the surplus profit or asset of the Company upon winding up of the Company.

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1.2.12 Each Performance Security is converted into one fully paid ordinary share on achievement of the relevant milestone.

1.2.13 If the relevant class of Performance Security is not converted into a share by the relevant expiry date then all the Performance Rights of that class lapse entirely.

1.3 The Company makes an announcement immediately upon the satisfaction of any milestones, the conversion of any of the Performance Rights and the expiry of any of the Performance Rights.

1.4 The terms and conditions of the Performance Rights, including without limitation the relevant milestones that have to be satisfied before each Performance Security is converted into an ordinary share, are not to be changed without the prior approval of ASX and the Company's shareholders.

1.5 Upon conversion of the Performance Rights into ordinary shares, the Company will apply to the ASX for quotation of the shares within the requisite time period.

1.6 The Company discloses the following in each annual report, annual audited financial accounts, half-yearly report and quarterly cash flow report issued by the Company in respect of any period during which any of the Performance Rights remain on issue or were converted or cancelled:

1.6.1 The number of Performance Rights on issue during the relevant period;

1.6.2 A summary of the terms and conditions of the Performance Rights, including without limitation the number of ordinary shares into which they are convertible and the relevant milestones.

1.6.3 Whether any of the Performance Rights were converted or cancelled during that period; and

1.6.4 Whether any milestones were met during the period.

1.7 The Company discloses the following in Part 5 of each Appendix 2A lodged by the Company while any of the Performance Rights remain on issue:

1.7.1 The number of Performance Rights on issue at the time of lodgement of the Appendix 2A; and

1.7.2 The conversion ratio of the Performance Rights into ordinary shares upon achievement of a vesting condition.

## APPENDIX 4 – GROUP STRUCTURE

Upon Completion, the corporate structure of the group is anticipated to be as follows:

