DAMSTRA

PROSPECTUS
INITIAL PUBLIC OFFERING OF SHARES

DAMSTRA HOLDINGS LIMITED
ACN 610 571 607

LEAD MANAGER

Morgan Stanley

CO-MANAGER

Morgans

LEGAL ADVISER

GILBERT + TOBIN

IMPORTANT INFORMATION

This Prospectus is issued by Damstra Holdings Limited (ACN 610 571 607) ("**Damstra**" or the "**Company**") and Damstra SaleCo Limited (ACN 636 039 560) ("**SaleCo**") for the purposes of Part 6D of the *Corporations Act 2001* (Cth) ("**Corporations Act**"). The offer contained in this Prospectus is an initial public offering ("**IPO**") to acquire fully paid ordinary shares in the capital of Damstra (the "**Offer**").

Lodgement and Listing

This Prospectus is dated Monday, 30 September 2019 ("**Prospectus Date**") and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. It is a replacement prospectus, which replaces the prospectus dated Monday, 23 September 2019 and lodged with ASIC on that date ("**Original Prospectus**"). For the purposes of this document, this replacement prospectus will be referred to as the "**Prospectus**".

The key changes that have been made to the Original Prospectus are in relation to the Company's forecast profit result in FY2020 in the Chairman's letter, client contract tenure and pre-IPO option grants for key executives of the Company.

Damstra applied to the Australian Securities Exchange ("**ASX**") for admission of Damstra to the official list of the ASX ("**Official List**") and quotation of the fully paid ordinary shares in Damstra ("**Shares**") on the ASX ("**Listing**") on Monday, 23 September 2019.

This Prospectus expires on the date that is 13 months after the date of the Original Prospectus ("**Expiry Date**") and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period

The Corporations Act prohibits Damstra or SaleCo from processing applications to subscribe for, or acquire, Shares under this Prospectus ("**Applications**") in the seven day period after lodgement of the Original Prospectus with ASIC ("**Exposure Period**"). The Exposure Period may be extended by ASIC by up to a further seven days.

The Exposure Period enables the Original Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Original Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Note to Applicants

The information contained in this Prospectus is not investment or financial product advice or a recommendation that Shares are suitable for you and does not take into account your investment objectives, financial situation, tax position or particular needs. The performance of Shares is not guaranteed and an investment in Damstra involves a degree of risk.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Shares.

In particular, you should consider the risk factors that could affect the performance of Damstra. You should carefully consider these risks in light of your personal circumstances, investment objectives, financial situation, tax position and particular needs, and seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the general and specific assumptions underlying the Forecast Financial Information (see Section 4.7).

Industry Data

This Prospectus (and in particular Section 2) contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Damstra's business and markets ("**Industry Data**"). Where indicated by specific attribution to Frost & Sullivan, the Industry Data is based on a market study that Damstra commissioned from Frost & Sullivan.

Unless otherwise indicated, the Industry Data used in this Prospectus is current as at the Prospectus Date.

Investors should note that Industry Data is inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Damstra, SaleCo or any of their respective related bodies corporate or affiliates, or by any of the respective directors, officers, employees, advisers, agents, shareholders, consultants or representatives of Damstra, SaleCo or any of their respective related bodies corporate or affiliates (each a "**Damstra Party**" and together, the "**Damstra Parties**"), or any other person in connection with the Offer. You should rely only on information in this Prospectus. None of the Damstra Parties nor any other person warrants or guarantees the future performance of Damstra or any return on any investment made pursuant to this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis. Damstra, SaleCo, their respective directors and officers, the Share Registry and Morgan Stanley Securities Australia Limited ("**Lead Manager**") disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

The Offer is managed and underwritten (other than the Priority Offer and the Employee Gift Offer) by the Lead Manager, subject to the terms and conditions of the Underwriting Agreement. The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus that is based on any statement made by the Lead Manager or by any of its respective affiliates, officers, employees or advisers (or by the officers, employees or advisers of their affiliates). To the maximum extent permitted by law, the Lead Manager and its affiliates, officers, employees and advisers (and each of the officers, employees and advisers of their affiliates) expressly disclaim all liability in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus (other than references to their name), and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus. For further information on the terms and conditions of the Underwriting Agreement, you should refer to Section 9.5.

Forward-looking statements

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "could", "believes", "estimates", "expects", "intends", "projects", "anticipates", "target", "plan", "predict", "propose", "will", "goals", "aims", "forecast", "outlook", "upside", "likely", "should" and other similar words that reflect, involve or imply risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements.

Any forward-looking statements are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the assumptions set out in Section 4).

Damstra does not have any present intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Any forward-looking statements are subject to various risk factors that could cause Damstra's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Damstra, SaleCo, their respective directors and the management of Damstra. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus.

None of the Damstra Parties gives any assurance as to the reasonableness of any forward-looking statements contained in this Prospectus or that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Statements of past performance

This Prospectus includes information regarding the past performance of Damstra. Past performance information given in this Prospectus is given for illustrative purposes only. Investors should be aware that past performance does not represent, and should not be relied upon as being indicative of, future performance.

Financial Information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.2. All references to FY2017, FY2018, FY2019 and FY2020 appearing in this Prospectus are references to the financial years ended 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020, respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards ("**AAS**") and other authoritative pronouncements adopted by the Australian Accounting Standards Board ("**AASB**"), which are consistent with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the accounting policies of Damstra.

All financial amounts contained in this Prospectus are expressed in Australian dollars and are rounded to the nearest $0.1m (unless otherwise stated). Any discrepancies between totals and sums of components in tables, figures and body content contained in this Prospectus are due to rounding. Tables, figures and body content contained in this Prospectus have not been amended by Damstra to correct immaterial summation differences that may arise from this rounding convention. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5 and other information in this Prospectus. Where financial information and metrics present pro forma amounts, they have been labelled "pro forma".

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and any person who comes into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. This Prospectus has been prepared for publication in Australia and may not be distributed to, or relied upon by, any person in the United States.

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**"), or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, in the United States, or to or for the account or benefit of any person in the United States, unless the Shares are offered, sold, pledged or otherwise transferred pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or the securities laws of any state or any other jurisdiction in the United States.

The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer.

None of the Damstra Parties accepts any liability or responsibility for determining whether a person is able to participate in the Offer.

Obtaining a copy of this Prospectus

An electronic copy of this Prospectus is available to Australian residents online at https://damstra.thereachagency.com.

The Offer constituted by this Prospectus in electronic form is only available to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

A paper copy of this Prospectus is available free of charge to Australian resident investors by calling the Damstra Offer Information Line on 1300 383 865 (within Australia) or +61 3 9415 4186 (outside Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday (excluding public holidays).

Applications

Applications may be made only during the Offer Period by completing an Application Form in respect of the Broker Firm Offer, Employee Gift Offer or Priority Offer (whichever is relevant to you and which is generally referred to as an "**Application Form**") attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety at https://damstra.thereachagency.com. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person any Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Definitions and time

Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus (see Appendix B). Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Australia time.

Privacy

By filling out an Application Form, you are providing personal information to Damstra, SaleCo and the Share Registry. Damstra, SaleCo and the Share Registry may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and/or carry out appropriate administration.

Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, your Application may not be able to be processed or accepted.

Your personal information may also be used from time to time to inform you about other products and services offered by Damstra which may be of interest to you.

Your personal information may also be provided to agents and service providers of Damstra on the basis that they deal with such information in accordance with the privacy policy of Damstra. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include:

- the Share Registry for ongoing administration of the register of members;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of statements and for handling mail;
- market research companies for the purposes of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors or consultants and other advisers for the purposes of administering, and advising on, the Shares and for associated actions.

If a person who submits an Application (“**Applicant**”) becomes a Shareholder, the Corporations Act requires Damstra to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Damstra register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Damstra register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that Damstra may wish to communicate to its Shareholders) and compliance by Damstra with legal and regulatory requirements. An Applicant has a right to access and correct the information that Damstra, SaleCo and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of Damstra's privacy policy by visiting the Damstra website, https://workplace.damstratechnology.com. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

To the extent of any inconsistency between the foregoing and Damstra's privacy policy, the foregoing will apply. In all other respects, personal information collected by Damstra and SaleCo in connection with your Application will be handled in accordance with the privacy policy. To contact Damstra regarding privacy matters, please use the contact details provided on its website, or write to Damstra at its address set out in the corporate directory on the final page of this Prospectus.

The Share Registry's complete privacy policy is available at the Share Registry's website, www.computershare.com/au/privacy-policies. Queries regarding the Share Registry's privacy policy may also be emailed to privacy@computershare.com.au.

Damstra's website

Any references to documents included on the Damstra website, https://workplace.damstratechnology.com, are for convenience only, and none of the documents or other information available on Damstra's website form part of this Prospectus and are not interpreted as part of this Prospectus, or incorporated herein by reference.

Photographs and diagrams

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by Damstra. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Logos

This Prospectus may contain trademarks and trade names of third parties, which are the property of their respective owners. Third party trademarks and trade names used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with Damstra, SaleCo or the Lead Manager.

Report on Directors' forecasts and financial services guide

The provider of the independent review on the Forecast Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The financial services guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call the Damstra Offer Information Line on 1300 383 865 (within Australia) or +61 3 9415 4186 (outside Australia) from 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

If you have any questions about whether to invest in Damstra, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

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

CONTENTS

KEY OFFER INFORMATION

KEY OFFER DATES	
Prospectus Date	Monday, 30 September 2019
Opening date of the Retail Offer	9.00am (Melbourne time), Tuesday, 1 October 2019
Closing date of the Retail Offer	5.00pm (Melbourne time), Thursday, 10 October 2019
Settlement of the Offer	Tuesday, 15 October 2019
Issue and transfer of Shares under the Offer (Completion of the Offer)	Wednesday, 16 October 2019
Shares expected to begin trading on the ASX (on a deferred settlement basis)	Wednesday, 16 October 2019
Expected dispatch of holding statements	Thursday, 17 October 2019
Shares expected to begin trading on the ASX (on a normal settlement basis)	Friday, 18 October 2019

Dates may change

The above dates are indicative only and may be subject to change. Unless indicated, all times and dates are to Melbourne, Australia time. Damstra, SaleCo and the Lead Manager reserve the right to vary the dates and times of the Offer, including to extend the Offer, close the Offer early or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicant. Investors are encouraged to submit their Applications as soon as possible. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

IMPORTANT STATISTICS[1]	
Offer Price	$0.90 per Share
Total number of Shares to be issued and transferred under the Offer[2]	54.8 million
Total proceeds of the Offer[3]	$49.3 million
Total number of Shares on issue at Completion of the Offer[4]	137.4 million
Number of Shares to be held by Existing Shareholders on Completion of the Offer[5]	82.6 million
Market capitalisation at the Offer Price[6]	$123.7 million
Pro forma net cash (as at 30 June 2019)[7]	$15.1 million
Enterprise value at the Offer Price[8]	$108.6 million
Enterprise value/pro forma FY2020 forecast revenue[9]	5.1x
Enterprise value/pro forma FY2020 forecast EBITDA[10]	25.1x

Notes:

1. This table contains Forecast Financial Information and information derived from the Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in Section 4. Forecasts have been included in this Prospectus for FY2020.
2. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
3. This assumes 3.7 million Shares are issued or transferred under the Priority Offer.
4. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
5. Excluding any Shares acquired under the Offer. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
6. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
7. Pro forma net cash is equivalent to cash and cash equivalents (as at 30 June 2019), calculated on a pro forma basis assuming Completion of the Offer.
8. Enterprise value at the Offer Price is defined as market capitalisation at the Offer Price, less pro forma net cash of $15.1m as at 30 June 2019.
9. Enterprise value/revenue multiple is calculated as the enterprise value at the Offer Price divided by pro forma forecast FY2020 revenue of $21.3m.
10. Enterprise value/EBITDA multiple is calculated as the enterprise value at the Offer Price divided by pro forma forecast FY2020 EBITDA (before significant items) of $4.3m.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

Questions

Please call the Damstra Offer Information Line on 1300 383 865 (within Australia) or +61 3 9415 4186 (outside Australia) from 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Damstra is a suitable investment for you, you should seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Damstra.

References to “we”, “us”, “our” and Damstra

Where used in this Prospectus, the expressions “we”, “us”, “our” and “Damstra” refer to Damstra Holdings Limited and/or its subsidiaries as the context requires.

CHAIRMAN'S LETTER

Dear investor,

On behalf of the Directors, it is my pleasure to invite you to consider becoming a Shareholder in Damstra.

Damstra is an Australian-based provider of workplace management solutions to multiple industry segments across the globe. We develop, sell and implement integrated hardware and software-as-a-service ("**SaaS**") solutions in industries where compliance and safety is of utmost importance. Our solutions assist our clients to better track, manage and protect their staff, contractors and their organisations, and to reduce the risks associated with worker health, safety and regulatory compliance. We pride ourselves on playing a role in helping our clients meet the requirements of health, safety and environmental ("**HSE**") regulations.

The Company has been operating since 2002, and has grown from a single office in Singleton, New South Wales, to having approximately 350 clients across eight countries and over 330,000 registered licences (in each case as at 30 June 2019) and operations in Australia, New Zealand, the United States, the United Kingdom and a global operations centre in the Philippines. Our solutions help our clients deal with multiple aspects of their organisations, including workforce management, access control, asset management, learning management and HSE management. We are operating in a US$15.6 billion market (as at 2018) with significant opportunity for global expansion going forward.

Damstra is led by an experienced management team that has a track record of achieving strong revenue growth, supported by strong client retention and a differentiated business model. Our Chief Executive Officer ("**CEO**"), Christian Damstra, has been involved in the business for over 17 years, and remains committed to leading the business following our listing on the ASX.

Between 1 July 2016 and 30 June 2020, we are forecast to deliver strong compound annual growth in pro forma revenue of 37%, and to generate positive operating cash flow over this period. However, we are forecast to generate an NPAT loss for the FY2020 period. Our business is characterised by a loyal client base, having recorded a client retention rate of over 97% between FY2018 and FY2019 (based on total revenue).[1] We have a growth strategy that seeks to expand the usage of our solution within existing clients, grow the number of clients who use our solution globally, continue to innovate and transform our technology through product development investment, and supplement our growth through selective, strategic acquisitions. We are particularly excited about our North American performance, which demonstrates that our platform and business model can be scaled and implemented on a global basis and we see international growth as one of our core pillars.

The purpose of the Offer is to provide funding and financial flexibility to support our growth strategy, to repay, in part, existing indebtedness (including certain Westpac facilities and deferred consideration in connection with Damstra's acquisition of EIFY), to pay the contingent consideration in respect of Velpic and EIFY[2], to allow Existing Shareholders to realise part of their investment in Damstra, to broaden our shareholder base and provide a liquid market for Shares, to provide us with the benefits of an increased brand profile that arises from being a publicly listed entity, and to pay transaction costs.

1. Client retention rate is calculated as the proportion of FY2018 pro forma revenue generated by clients who remained revenue generating clients in FY2019.
2. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million.

Damstra is seeking to raise $35.0 million[3] through the issue of 38.9 million Shares[4] at an Offer Price of $0.90 per Share, and Existing Shareholders are seeking to sell 15.9 million Shares through SaleCo, also at the Offer Price. The total size of the Offer is therefore $49.3 million.[5] Upon Completion of the Offer, new Shareholders are expected to hold 39.9% of the Shares[6] and Existing Shareholders, including certain management and Directors, will retain 60.1% of the Shares[7], of which 44.8%[8] are expected to be subject to escrow restrictions applying for periods ranging between 6 and 12 months from Listing.

This Prospectus contains detailed and important information about the Offer, the historical and forecast financial results of Damstra, and the key risks associated with an investment in the Company. Before applying for Shares, any prospective investor should be satisfied that they understand the risks involved in making an investment in Damstra, including those key risks set out in Section 5 of this Prospectus. These risks include, but are not limited to, failure to retain existing clients and attract new clients, lack of success of sales and marketing strategy, increased competitive pressures, loss of key clients and arrangements, reliance on uptake of SaaS-based workforce management software solutions, operations in foreign jurisdictions or unfamiliar markets, failure to adequately maintain and develop our workplace management solution, disruption or failure of technology systems and software, cyber security incidents, failure to manage growth, failure to protect our intellectual property rights and inability to attract or retain key personnel.

I encourage you to read this Prospectus carefully and in its entirety before making any investment decision, and to consult with, and seek professional guidance from, your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser in connection with the Offer.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of Damstra.

Yours sincerely,

Johannes Risseeuw
Executive Chairman

Damstra Holdings Limited

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3. This assumes 3.7 million Shares are issued or transferred under the Priority Offer.
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CEO'S LETTER

Dear investor,

It is with a genuine sense of pride that I introduce you to Damstra, a business that has been very close to my heart for almost two decades.

My father founded Damstra in 2002 as a labour hire company. At this time it became clear that technology was needed, with the aim of improving health and safety outcomes for workers in the mining industry. Fast forward 17 years, and our fundamental mission has not changed – we are driven by improving the lives of workers in multiple industries, in multiple countries, through our workplace management solution. It is a goal and a responsibility that we do not take lightly, and one that keeps us motivated to constantly improve and innovate.

Transforming industries and businesses

Damstra provides integrated workplace management solutions with a focus on industries in which compliance and safety is of utmost importance. Our solution centres around a cloud-based SaaS platform, which allows our clients to more efficiently and intelligently manage their workforces and organisations. On top of this, our solution also integrates hardware components and third party applications to accurately capture, store and interpret data in real time.

Damstra is not just about replacing manual processes or updating existing systems – we are about providing clients with a comprehensive solution to solve various problems and reduce risks associated with workplace health, safety and regulatory compliance. Workers operating on sites without the requisite qualifications or training, outside of their rostered hours of work, or without adequate supervision, can all present significant risks to both a worker and their employer. Our clients have reported that our solution not only improves their overall risk and compliance framework, but that it also improves employee and contractor engagement and productivity, all while reducing overall site operating costs.

Track. Manage. Protect.

Our ethos is to help our clients to better track, manage and protect their people and their organisations and collect and analyse critical data to help them with their compliance obligations and inform decision making. This ethos runs true and is reflected in our innovation and product development framework. The Damstra team is constantly seeking ways in which our solution can give our clients better visibility over their workforce and their assets, better ways to interact with both, and better ways in which to protect them from internal and external risks. For example, our development team has recently implemented, and is further exploring the use of artificial intelligence to predict circumstances in which breaches may happen based on real time data from client sites. As at 1 August 2019, 41% of our full-time workers were engaged in improving and extending Damstra's solutions, and over 1,000 product features were released in FY2019. These statistics reflect our long-term vision of building a technology business which delivers best-in-class solutions and adapts to the changing needs of our clients.

Growing with our clients

Our platform is important to our clients' operations, and has been developed in response to what they actually need, not what we think they want. As our clients expand with new workers, new projects or new geographies, our solution is ready to help them scale. In addition, our technology is a response to an evolving global regulatory environment, and increasing focus on improving health, safety and environmental outcomes. The risks associated with antiquated, overlapping or manual-based systems have become more acute, and the need for integrated, automated solutions – such as Damstra's – is rising in importance.

From humble beginnings, now a global business

We have come a long way from our original home. Today, I am proud to say that Damstra is a truly global business, and the opportunity for us to expand our footprint across geographies is exciting. In 2018, Damstra signed its first contract in the United States with Newmont Goldcorp, one of the world's largest gold mining companies, who will be using Damstra's solution across multiple sites in the United States, South America, Australia and Africa. In addition, we have recently signed up our first pilot program in the United Kingdom, which has been running successfully for a number of months.

I am personally committed to building our international business, having relocated myself and my family to Denver, in the United States, to lead this effort. I believe that we have an opportunity to expand our technology across North America, and I have seen first-hand the benefits that our platform can have for multinational clients.

Our vision for the future

The IPO of Damstra represents yet another step in our ambitions to be a leading, global provider of workplace management solutions. The ability for us to continue to grow, both organically and inorganically, is enhanced by having the status, transparency and governance of a publicly listed company. Our near-term growth plans require us to have access to additional capital, and the proceeds from the IPO will be used accordingly.

It is a privilege to be leading a business that strives to not only transform how our clients operate, but to also improve the lives of workers through easy-to-use, intelligent technology. Our ambitions are big, but I believe we have built the right team, the right product and the right culture that will allow us to thrive in global markets, and I remain committed to the business and driving its future success.

Along with my fellow Directors, I look forward to welcoming you as a Shareholder of Damstra.

Christian Damstra
Chief Executive Officer

Damstra Holdings Limited

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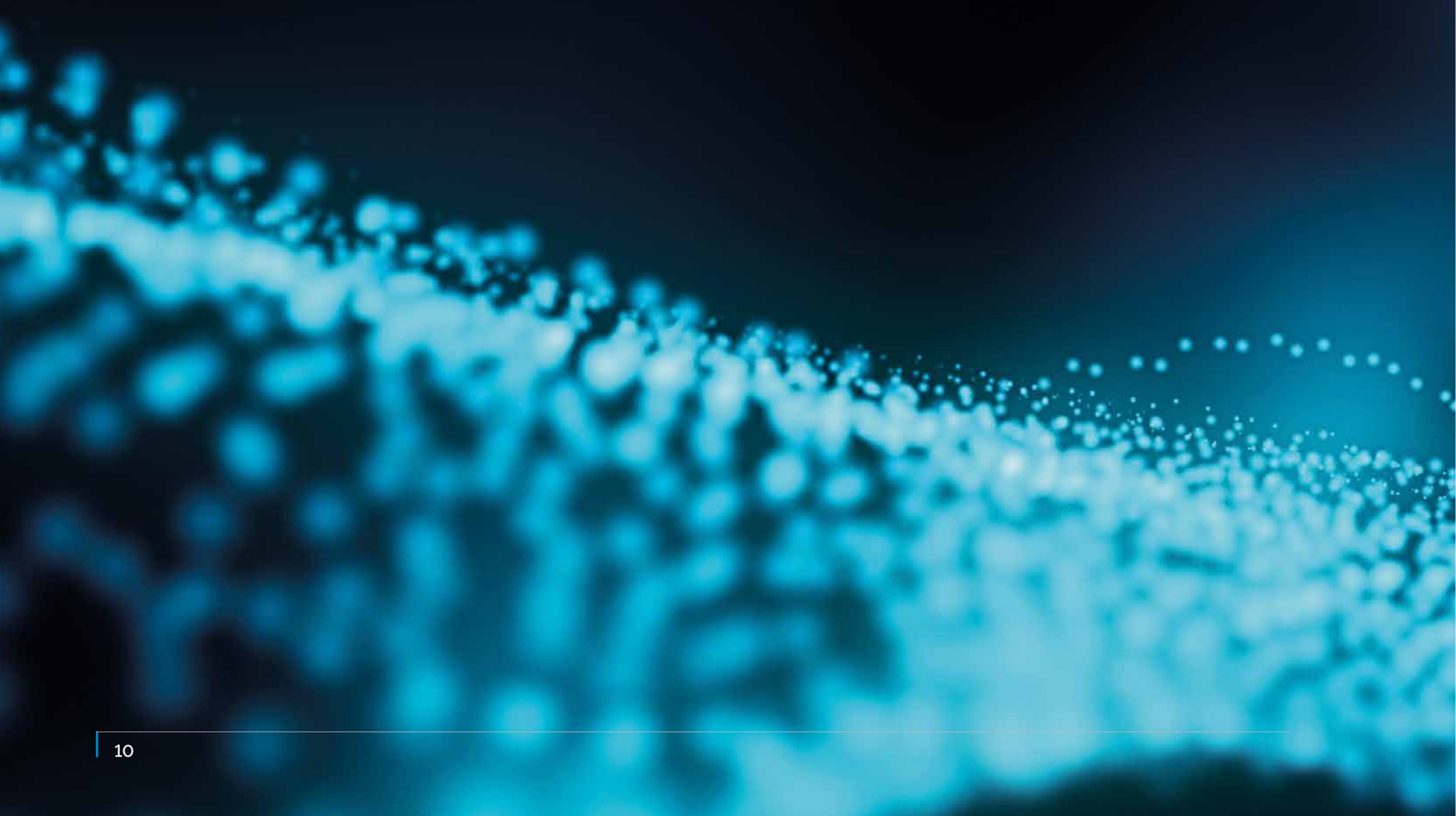
INVESTMENT OVERVIEW



1 INVESTMENT OVERVIEW

1.1. INTRODUCTION

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is Damstra?	We are an Australian-based provider of workplace management solutions to multiple industry segments across the globe. We have operations in Australia, New Zealand, the United States, the United Kingdom and a global operations centre in the Philippines, and had approximately 350 clients across eight countries and over 330,000 registered licences as at 30 June 2019. We develop, sell and implement integrated hardware and SaaS solutions in industries where compliance and safety is of utmost importance. Our solution assists our clients to better track, manage and protect their employees, contractors and extended workforce, and assists organisations in managing risks associated with workplace safety requirements and regulatory changes.	Section 3.1
What is our history?	Damstra was originally founded in 2002 as a labour hire company in the black coal mining industry in New South Wales, Australia. It soon became apparent that providing workplace compliance and assurance solutions to the mining industry was a better fit for our organisation. Since then, health, safety and workplace compliance and industry standards have spread across multiple industries including construction, telecommunications, manufacturing, transport and government. This has created a challenge for many organisations to reliably manage, maintain and demonstrate compliance of their workforce. Throughout our history, our core focus has been technology innovation and product development. In FY2019, we invested 15.7% of our revenues and, as at 1 August 2019, 41% of our workforce was engaged in product development and innovation.	Section 3.2
Where do we operate?	We had approximately 350 clients across eight countries (as at 30 June 2019) and operations in Australia, New Zealand, the United States, the United Kingdom and a global operations centre in the Philippines. Our business is global in nature reflecting our technology and our clients who may be headquartered in one country yet have many licences located across other key regions.	Section 3.1

1.2. OVERVIEW OF DAMSTRA'S BUSINESS MODEL

TOPIC	SUMMARY	FOR MORE INFORMATION
What is our business model and how do we generate revenue?	**1. Target organisations and industries with a focus on safety and compliance** Damstra's solution has been primarily built to address industries with large workforces where safety and compliance is of utmost importance, such as mining, resources and construction. We believe these organisations require an efficient, integrated and scalable solution that reduces staff down-time, injury rates and manual labour while improving risk and compliance outcomes relative to an on-premise model. The integration of both hardware and software in our solution increases the "stickiness" of our clients and creates a barrier to entry for our competitors. **2. Multi-jurisdictional and industry agnostic** Damstra's solution has been designed to be scalable on a global basis, incorporating an industry agnostic platform which can be configured to accommodate the requirements of multiple segments of the market across various jurisdictions, and can be tailored to the bespoke needs of our clients (where required). **3. Revenue generation** We earn revenue from fees paid by clients who use our hardware and software. Our clients pay for Damstra's software and hardware on a subscription basis and typically enter into three or more year contracts for access to and usage of our solution. It is customary for Damstra to be paid annually in advance by our clients for software subscriptions and on a monthly basis for the hardware component of our solution. The amount of the fee is dependent on the number of products subscribed for by the client, the number of licences on the platform, and the number of pieces of equipment installed on clients' sites. We account for revenue by recognising amounts over the period to which the revenue relates. As a result, cash is often received in advance of the revenue being recognised. Our accounting policy for revenue recognition is summarised in Appendix A of this Prospectus. In addition to subscription-based fees, Damstra also generates revenue from identification card issuance, card replacements, site configurations implementation fees and the development of training programs.	Sections 3.3 and 3.4
What are our key products?	Our integrated workplace management solution combines hardware with an SaaS-based platform. Our product suite is comprised of industry agnostic modules such as workforce management, access control, asset management, learning management and HSE management. These products are integrated into one platform, allowing users of multiple modules to better track, manage and protect their workplaces through access to real time data across all modules. Our software products are mobile enabled to ensure usability at remote sites or for mobile workforces. We also provide adjacent services across our products, including document processing and content creation for eLearning modules.	Section 3.3

TOPIC	SUMMARY	FOR MORE INFORMATION
Who uses our products?	Our workplace management solution has been built for widespread adoption and to address the workforce and workplace safety and compliance requirements of multiple industries. As at 30 June 2019, we provided solutions to approximately 350 clients, including government agencies and large "blue-chip" clients operating across various industries in eight different countries.	Section 3.7
Why do our clients choose Damstra?	We believe our solution is important for many of our clients as it enables them to manage operations and compliance requirements. Our solution allows users to manage their workplaces and workforces on a single platform across multiple users, functions, offices and countries. We believe our solution provides numerous benefits, including: • **Adherence to internal and external compliance policies:** clients can tailor aspects of our workplace management solution to create reporting in line with their internal and external compliance policies; • **Global scalability:** clients can add new geographies and licences for different sites or new projects and have all data accessible on our platform; • **Risk mitigation:** real time processing of accurate information associated with health and safety in regulated industries such as mining and construction can be important for those clients; • **Increases in efficiency:** our clients realise efficiency gains through the reduction in the number of, and reliance, on third party vendor software applications; and • **Reduction in resources and costs:** as our clients increase efficiency through the reduction in coordination between third party vendors, they may also be able to reduce operational resources via eliminating costs associated with managing multiple systems, vendors and applications.	Sections 3.3 and 3.4
How do we sell our products?	We adopt a strategic approach to acquiring new clients and upselling additional modules to our existing client base. We allocate our sales and marketing budget across various channels in order to increase our brand and product awareness and generate new client leads. Our sales and marketing team of 16 individuals adopt a marketing approach focused on key safety and human resources leaders within client organisations. The sales division is divided into two core teams, one focused on new client acquisition and the other focused on expanding revenue generated from existing clients via an account management structure. We have developed an established brand and reputation for our solution within the workplace management industry. We believe that this reputation has assisted in generating a portion of new clients through referrals from our existing client base thereby lowering client acquisition costs.	Section 3.6

1.3. KEY FEATURES OF DAMSTRA'S INDUSTRY

TOPIC	SUMMARY	FOR MORE INFORMATION
What industries and segments do we operate in?	We operate in the broader global workplace management solutions market via numerous modules including workforce management and onboarding, access control, asset management, learning management and HSE management tools.	Section 2.2
What is SaaS?	SaaS is the abbreviation for software-as-a-service and is defined as a software licensing and distribution model whereby software is centrally hosted and delivered to licensed users on a subscription basis over the internet. Users access the software by logging onto the platform through a web browser on an internet connected device and interact with the information and processes hosted by the SaaS provider on a central platform, often called the "cloud".	Section 2.1
What are the drivers of growth in the workplace management solutions market?	The penetration of cloud-based, SaaS solutions within the workplace solutions market is at a relatively early stage, however is accelerating due to a number of global trends, including: • Increased outsourcing of workforce management roles to reduce cost and increase productivity; • A greater need for accurate, real-time and auditable information to assist with regulatory and compliance requirements and providing visibility over their workforces; • Digital transformation to keep pace with technology-driven performance improvement, enabling organisations to improve workplace efficiency and address issues in their operations and supply chains; • Increased focus on employee and sub-contractor well-being, training and occupational health and safety outcomes; • The need to manage complex and global workplaces and ensure consistent standards across geographies; and • Greater focus on technology costs and reduction in capital budgets for internally developed solutions.	Section 2.3
Who do we compete with?	The workplace management solutions market is fragmented and includes single and multi-point workplace management solutions providers, large global vendors of enterprise resource planning ("**ERP**") software and in-house developed solutions, all of which differ by geographic and functional coverage. Damstra's value proposition in the workplace management solutions market is to offer solutions to address multiple segments of the market, which integrate with various third party applications, as well as with hardware components that are often not offered by software-only vendors. Within the workplace management solutions market, we compete against: • Single and multi-point solutions in workplace management, offering one or more product or module for users which have limited global scalability; • Global enterprise software companies focusing on enterprise-wide applications; and • In-house developed solutions for proprietary use. In contrast, other vendors that provide global solutions may do so by utilising multiple technology platforms across different regions or functions, which can add cost and complexity to such solutions.	Section 2.4

1.4. KEY STRENGTHS

TOPIC	SUMMARY	FOR MORE INFORMATION
A scalable SaaS-based workplace management solution	Damstra provides a SaaS-based workplace management solution for clients in industries where compliance and safety is of utmost importance. Damstra provides its clients with access to integrated and scalable hardware and SaaS solutions which include workforce management, access control, asset management, learning management and HSE risk management. In addition, the Damstra platform allows employers to access real time data and analytics in relation to their employees via a single, integrated platform. This platform assists management to more efficiently monitor and manage risk for their organisation, and provides real time auditability of compliance with internal and external rules and regulations.	Section 3.3
A large and growing global addressable market with favourable industry dynamics	While the majority of users of Damstra's platform are located in Australia and New Zealand today, the Company has an increasing global presence, with 350 clients across eight countries (as at 30 June 2019), and a pipeline of new client opportunities across North America, South America and Europe. The total size of the global workplace management solutions market is estimated by Frost & Sullivan at US$15.6 billion in 2018, growing at a CAGR of 6.7% to reach approximately US$20.2 billion in 2022. The penetration of cloud-based, SaaS solutions within the workplace management solutions market is at a relatively early stage, however is accelerating due to a number of global trends (as referred to in Section 1.3 above).	Sections 2.2 and 2.3
High-profile global client base and scalable business model	Damstra serviced approximately 350 clients across eight countries and more than 330,000 registered licences, in each case as at 30 June 2019. Damstra's solution is used by a number of "blue-chip" clients across multiple industries, including Glencore, Newmont Goldcorp, NBN, Lafarge, Holcim, John Holland, CPB and Georg Jensen. The solution is used by a number of contracting and development clients, who may recommend using Damstra to their own clients when commissioning new projects – acting as a cost-effective sales channel for Damstra's solutions. Our platform is suitable for companies of all sizes and is scalable from a small number of users to tens of thousands of users. It is also applicable for companies with multiple sites or projects, where contractors are deployed in different regions.	Sections 3.4 and 3.7

TOPIC	SUMMARY	FOR MORE INFORMATION
Differentiated client solutions relative to competing products	Damstra provides a differentiated solution to its clients by offering: • A single cloud-based platform which integrates into various external third party applications through an application programming interface ("**API**") framework; • API integration of devices with biometric functionality (such as card readers, turnstiles and alcolisers), radio-frequency identification ("**RFID**"), mobile devices and Damstra's SaaS-based software platform; • Full document verification services to ensure paperwork is accurate and meets client requirements; • Access via the cloud rather than on-premise software, with the flexibility that site hardware will operate offline; and • A global solution which can address regulatory and company-specific requirements and complexities of high-risk industries. These differentiated features provide Damstra's clients with a strong value proposition via a reduction in staff down-time and injury rates, improved risk and compliance outcomes, a real time audit trail of employee compliance, a reduction in data entry and import processing costs, an overall reduction in operating costs, and a reduction in total technology costs relative to an on-premise model.	Section 3.3.3
Strong track record of client retention	Damstra has historically experienced high client retention rates, with client retention of more than 97% between FY2018 and FY2019 (based on total revenue).[9] On average, our five largest clients (by FY2019 revenue) have been with us for more than six years.	Section 3.7
Strong recurring revenues	Damstra has a three-year track record of positive pro forma EBITDA (before significant items) and positive operating cash flow. In particular: • Pro forma revenue is forecast to increase at a CAGR of 37.3% between FY2017 and FY2020; • Pro forma gross margin for FY2019 was approximately 58.2%, and is forecast to grow to 69.0% in FY2020; • Average pro forma EBITDA margin (before significant items) between FY2017 and FY2019 was 22.7%, and is forecast to be 20.3% in FY2020; and • We have generated strong operating cash flow conversion, with average operating cash flow conversion of 82% across FY2017, FY2018 and FY2019, and operating cash flow conversion forecast to be greater than 150% in FY2020. Damstra generates recurring revenues as a result of selling its software product under a subscription-based model. In FY2019, recurring revenues represented over 90% of Damstra's total revenues (based on FY2018 and FY2019 revenue).[10]	Sections 4.3 and 4.5

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[9] Client retention rate is calculated as the proportion of FY2018 pro forma revenue generated by clients who remained revenue generating clients in FY2019.

[10] Refer to definitions in Section 4.2.6.

TOPIC	SUMMARY	FOR MORE INFORMATION
Multiple levers of business growth and strong growth opportunities	Damstra's growth strategy, which is based on six key components: • **More usage by existing clients:** increasing penetration of existing clients, which incorporates natural organic growth as clients add new active users, increases in functionality or the number of modules and products that existing users have access to, and increases in revenue generated per active user as a result of price increases; • **New clients in global markets:** expanding to new clients in global markets through the rollout of new projects for certain construction and development clients who mandate the use of Damstra's solution for these new projects (resulting in an increase in the number of active users); • **Greenfield opportunities:** winning new clients from competitors, or as a result of new clients who have not previously used an automated or software-based workplace management solution in their organisation; • **Innovation:** expanding our platform through product development and investment in high-demand offerings. In FY2019, we invested approximately 16% of our pro forma revenues and, as at 1 August 2019, 41% of our full-time workers were engaged in product development and innovation; • **Monetise data:** the potential to monetise Damstra's collection of workforce data by providing real time and predictive insights about a client's workplace to help to improve efficiency and reduce the risk of compliance breaches or workplace injury; and • **M&A:** selectively pursuing value enhancing acquisitions which may accelerate expansion into adjacent markets, accelerate entry into new markets or geographies, or consolidate existing markets as appropriate. Damstra's growth profile is based on a combination of the above drivers. However, financial forecasts included in this Prospectus for the FY2020 period do not include any contribution from inorganic or acquisition-driven growth initiatives. In addition to new client revenues included in the FY2020 forecast (on the basis set out in Section 4.7.2.2), we are currently in discussions with existing and prospective clients in relation to variations of existing contracts, or new contracts, which have the potential to change the volume of usage of our solution (subject to reaching agreement on commercial terms and finalising relevant legal documentation). While this may result in a change in revenue in the forecast period, at present there is not a sufficiently reasonable basis for quantifying the impact of any such change.	Section 3.8

TOPIC	SUMMARY	FOR MORE INFORMATION
Experienced management team with a long-term vision for the Company	We have an experienced management team, led by our CEO, Christian Damstra. Christian has been involved in the business since it was first launched in 2002 and has more recently been appointed as CEO following the Company's buyout from Skilled Group in 2016. Christian is supported by an experienced management team including Johannes Risseeuw, Executive Chairman, with extensive experience within the Damstra business, the technology and software industry, as well as the broader workplace management, contracting and human resources sectors. Our management team have a history of working in our clients' industries, and have a strong understanding of our clients' needs.	Sections 6.1 and 6.2

1.5. KEY RISKS

TOPIC	SUMMARY	FOR MORE INFORMATION
Failure to effectively attract new or retain existing clients	Our business depends on our ability to retain our existing clients, attract further business from existing clients and to gain new clients. There is a risk our existing clients reduce their usage of our solution for a number of reasons. This would result in a reduction in the level of payments they make to us. While many of our clients are on fixed-term contracts, there is a risk that these contracts are not renewed or are terminated, which may result in a decrease in our revenue. There is also a risk that new clients fail to select Damstra's solution for their business. Our ability to retain existing clients and attract new clients, as well as our clients' level of usage of our solution depends on many factors. In addition, clients' use of our solution may be affected by external factors such as changes to laws and regulations. If our clients do not continue to use our solution or increase their use over time, or if new clients do not choose to use our solution, the growth in our revenue may slow or decline.	Section 5.1.1
Decline in construction and mining sector or economic conditions	A decline in regional and global construction and mining volumes or recessionary economic conditions may adversely affect our financial performance. Any downturns in construction activity or declines in commodity prices could negatively impact client demand for our solution and therefore adversely impact our operating and financial performance. There is also a risk that a downturn in economic conditions could negatively impact our clients, therefore reducing their usage of our solution. This may adversely impact our business, financial performance and operations.	Section 5.1.2
Lack of success of sales and marketing strategy	Our business is partly dependent on the conversion of client sales from investment in sales and marketing campaigns and initiatives, which is expected to continue to increase as our business grows. Promoting awareness of our brand and reputation is critical to our success as an integrated, SaaS-based workplace management solutions provider. The failure to realise the intended benefits from sales and marketing investment could negatively impact our ability to attract new clients.	Section 5.1.3

TOPIC	SUMMARY	FOR MORE INFORMATION
Increased competitive pressures	We compete against other single and multi-point workforce management solution providers, as well as with global enterprise software companies and in-house developed solutions. The broader workplace management industry is evolving, fragmented along product and geographical lines, and becoming increasingly competitive. Some of our existing and potential competitors have significantly more financial and operational resources than Damstra. Amongst others, there is the risk that we may fail to increase adoption and usage of our solutions, our solution may fail to meet the expectations of our clients, our competitors may enhance their product offering or market share, new market entrants could develop solutions or in-house developed solutions may become preferred to outsourced workplace management solutions. If any of these risks arise, we may compete less effectively against our competitors which could reduce our market share and our ability to develop or secure new clients. This could have an adverse impact on our business, operations and financial performance.	Section 5.1.4
Loss of key contracts and arrangements	Damstra's business relies on a number of key contracts and arrangements. For example, our top five clients (by revenue in FY2019) contributed greater than 50% of total licence and hardware fees received in FY2019, with our top two clients having contributed approximately 35% of total licence and hardware fees received in FY2019. Certain key contracts and arrangements may be terminated by the counterparty for convenience. In addition, there is a risk that we may lose key contracts and arrangements due to a breach of contract by either the relevant counterparty or ourselves. In particular, certain key contracts and arrangements contain change of control clauses which will or may be triggered by this Prospectus, the Offer or a future change of ownership. Any failure to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a party (including ourselves) to perform its obligations under such contracts or arrangements, could have a material adverse effect on our business, operations and financial performance.	Section 5.1.5
Pricing risk	We primarily generate revenue by charging annual hardware and software subscription fees to our clients for the length of their contract, based on the type of products or modules chosen by the client and the number of licences they require. Upon expiry of their contract, our clients may try to renegotiate contract terms for more favourable provisions including price discounts which would result in a direct reduction in the payments they make to us and have a negative impact on our financial performance. While Damstra may resist such attempts to renegotiate prices, business economics, market conditions or competitive forces may dictate such terms need to be accepted.	Section 5.1.6
Reliance on uptake of SaaS-based workforce management software solutions	Our future growth in revenues depends on the increasing adoption of SaaS-based workplace management software solutions. If our solutions are not accepted and used by more organisations or if the market for such solutions fails to grow as expected, our platform could be adversely affected and revenue growth may slow, which could negatively impact our business, operations and financial performance.	Section 5.1.7

TOPIC	SUMMARY	FOR MORE INFORMATION
Operations in foreign jurisdictions or unfamiliar markets	We have operations in overseas jurisdictions and are seeking to expand into various other foreign countries (including Ghana and Peru). These foreign jurisdictions may be subject to a range of different legal and regulatory regimes. As we expand our presence into new international jurisdictions, we will be subject to the risks associated with doing business in regions which may have political, legal and economic instability or less sophisticated legal and regulatory systems, including (i) unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements; (ii) less sophisticated technology standards; (iii) difficulties engaging local resources; and (iv) potential for political upheaval or civil unrest which could have a material adverse effect on our business, operations and financial performance. As we enter newer and less familiar regions there is a risk that we may fail to understand the laws, regulations and business customs of these regions. There is also a risk that we could face legal, tax or regulatory sanctions or reputational damage as a result of any failure to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of conduct and standards of good practice. A breach in any of these areas could result in fines or penalties, the payment of compensation or the cancellation or suspension of our ability to carry on certain activities or product offerings could interrupt or adversely affect parts of our business and may have an adverse effect on our business, operations and financial performance.	Section 5.1.8
Failure to adequately maintain and develop our workplace management solution	Our business model depends on our ability to continue to ensure that clients are satisfied with our solution. There is a risk that we fail to maintain the software adequately, or that updates may introduce errors and performance issues, causing client satisfaction in our solutions to fall. Client satisfaction may fall due to a number of reasons. This may result in reduced sales and usage, loss of clients, damage to our reputation, an inability to attract new clients and potential claims for compensation. Our future growth also depends on our ability to develop enhancements and new features for our hardware and SaaS solutions so that they continue to satisfy client needs, attract new clients and generate additional revenue from increased usage. There is a risk that the development and introduction of new features and modules does not result in a successful outcome for us due to various reasons. The failure to successfully develop new product features and modules may have a materially adverse impact on our future operations and financial performance.	Section 5.1.9
Disruption or failure of technology systems and software	Damstra and its clients are dependent on the performance, reliability and availability of our technology platforms, data centres and global communications systems (including servers, the internet, hosting services and the cloud environment in which we provide our products). There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber-attacks or other disruptions including natural disasters, power outages or other similar events. This could potentially lead to a loss of clients, legal claims by clients, and an inability to attract new clients, any of which could have a materially adverse impact on our business, operations and financial performance.	Section 5.1.10

TOPIC	SUMMARY	FOR MORE INFORMATION
Cyber security incidents	The use of information technology is critical to our ability to deliver our products and services to clients and the growth of our business. It is possible that the measures we take to prevent technology breaches may prove to be inadequate which may result in cyber-attacks, unauthorised access to data, financial theft and disruption to business-as-usual services. Any accidental or deliberate security breaches or other unauthorised access to our information technology systems or client data may result in reputational damage, a loss of confidence in the services we provide, a disruption of services to clients, claims by clients, loss of clients, theft, misappropriation of funds, legal action and regulatory scrutiny. We may also incur costs as a result of rectifying system vulnerabilities or introducing additional safeguards to minimise the risk of future security breaches. Any of these events could adversely impact our reputation, business and financial performance. Our products involve the storage and transmission of our clients' confidential and proprietary data. Our business could be materially impacted by security breaches in respect of our clients' data. There is also a risk that any measures we take may not be sufficient to prevent or detect unauthorised access, theft, destruction, loss of information, misappropriation, misrepresentation or release of confidential data. Any of these events could cause a material disruption to our business and operations and expose us to reputational damage, legal claims, regulatory investigations or fines and termination of contracts, any of which could materially impact our operating and financial performance. Any security or data issues experienced by other cloud software companies globally could adversely impact clients' trust in could solutions generally and could adversely affect our ability to migrate clients to our cloud platform.	Section 5.1.11
Failure to realise benefits from research and development	When investing in research and development we make certain assumptions about the expected future benefits generated by our investment and the expected timeframe in which such benefits may be realised. These assumptions are subject to change and involve both known and unknown risks that are beyond our control. Any change to these assumptions may have an adverse impact on our ability to realise benefits from innovation and product development related costs.	Section 5.1.12
Other key risks	The above risks are a summary of some of the key risks, but not an exhaustive list of all of the risks associated with the Company or an investment in the Shares. Full details of the risks summarised in this Section 1.5 and other key risks are included in Section 5, and investors are recommended to review all of those risks carefully before making an investment decision.	Section 5

1.6. KEY FINANCIALS AND DIVIDEND POLICY

TOPIC	SUMMARY	FOR MORE INFORMATION
How do we expect to fund our operations?	Our principal sources of funds are expected to be cash flow generated from operations and cash on hand. We expect to repay drawn borrowings under our Banking Facilities (excluding the Leasing Facility) on Completion and as a result will be in a positive net cash position. We expect that we will have sufficient cash flow from operations to meet our operational requirements and business needs during the forecast period. We will maintain the Banking Facilities on Completion and may draw down on these Banking Facilities or reduce our cash on hand to meet business needs as and when required including to fund future acquisitions.	Section 4.4
What is our dividend policy?	It is the current intention of the Board to target a dividend payout ratio of up to 50% of our annual statutory net profit/(loss) after taxation ("**NPAT**"). No dividend is expected to be paid for the period from Completion of the Offer to 30 June 2020. Depending on the ongoing available earnings and the ongoing financial position of the Company, it is the intention of the Board to declare interim dividends in respect of half years ending 31 December and final dividends in respect of half years ending 30 June each year. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. The payment of any dividend by the Company is at the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant at the time.	Section 4.10

TOPIC	SUMMARY	FOR MORE INFORMATION

What is our pro forma historical and forecast performance?

Pro forma historical and forecast consolidated statements of financial performance

		HISTORICAL RESULTS			FORECAST	
A$ million	Notes	FY2017	FY2018	FY2019	FY2020 Pro forma	FY2020 Statutory
Licence fees		5.8	7.9	11.8	14.8	14.8
Hardware		1.2	1.4	2.0	4.9	4.9
Other		1.3	1.2	1.5	1.7	1.7
Total revenue		**8.2**	**10.5**	**15.3**	**21.3**	**21.3**
Cost of sales		(1.8)	(3.1)	(6.4)	(6.6)	(6.6)
Gross profit		**6.4**	**7.4**	**8.9**	**14.7**	**14.7**
Other income		–	0.2	0.5	–	0.1
Research and development		(0.4)	(0.4)	(0.4)	(1.0)	(1.0)
Sales and marketing		(1.2)	(2.7)	(3.9)	(4.1)	(4.1)
General and administration		(1.8)	(2.1)	(3.9)	(5.3)	(4.8)
Offer costs		–	–	–	–	(5.8)
EBITDA before significant items		**3.0**	**2.4**	**1.3**	**4.3**	**(0.7)**
Significant items		(0.4)	(3.1)	–	–	–
EBITDA after significant items		**2.6**	**(0.7)**	**1.3**	**4.3**	**(0.7)**
Depreciation		(0.6)	(0.7)	(1.2)	(1.8)	(2.0)
Amortisation	2	(1.0)	(1.4)	(2.9)	(3.3)	(3.3)
EBIT		**1.0**	**(2.9)**	**(2.8)**	**(0.7)**	**(6.1)**
Net finance cost	3	(0.1)	(0.0)	(0.2)	0.0	(0.3)
Profit/(loss) before income tax		**0.9**	**(2.9)**	**(3.0)**	**(0.7)**	**(6.4)**
Income tax (expense)/benefit	4	(0.3)	0.2	(0.1)	0.0	1.6
NPAT		**0.6**	**(2.6)**	**(3.1)**	**(0.6)**	**(4.8)**

Refer to Section 4.3, Table 8, for the notes relating to the above.

The information presented above contains non-IFRS measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information in Section 4 of this Prospectus, as well as the risk factors set out in Section 5.

Section 4.3

What will our capital structure be on Completion?

On Completion, Damstra will have 137.4 million Shares on issue.[11]

Section 7.1.6

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[11] This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

1.7. BOARD AND MANAGEMENT

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the Directors of Damstra?	• Johannes Risseeuw, Executive Chairman • Christian Damstra, Chief Executive Officer • Drew Fairchild, Non-Executive Director • Morgan Hurwitz, Non-Executive Director • Simon Yencken, Non-Executive Director	Section 6.1
Who are the members of Damstra's senior executive team?	• Christian Damstra, Chief Executive Officer • Johannes Risseeuw, Executive Chairman • Chris Scholtz, Chief Financial Officer • Katja Voegele, Chief Product and Marketing Officer • Solenia Cioppa, Chief Business Development Officer • Damien Camilleri, Chief Technology Officer • David Richard, Chief Implementation Officer • Sebastian Culbert, Global Operations Manager	Section 6.2

1.8. SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr>
<td>Who are the Existing Shareholders and what will be their interest in the Company at Completion of the Offer?</td>
<td>
<p>Shareholdings of Existing Shareholders on the Prospectus Date and immediately following Completion of the Offer are set out in the table below. This table does not include additional Shares that may be acquired under the Offer.</p>
<p>Shareholdings of Existing Shareholders</p>
<table>
<tr><th>SHAREHOLDER</th><th>SHARE-HOLDING IMMEDIATELY PRIOR TO THE OFFER (SHARES)</th><th>SHARE-HOLDING IMMEDIATELY PRIOR TO THE OFFER (%)</th><th>SHARE-HOLDING POST-IPO (SHARES)</th><th>SHARE-HOLDING POST-IPO (%)</th></tr>
<tr><td>Christian Damstra</td><td>19,440,000</td><td>19.7%</td><td>18,890,000</td><td>13.7%</td></tr>
<tr><td>Johannes Risseeuw</td><td>19,440,000</td><td>19.7%</td><td>18,340,000</td><td>13.3%</td></tr>
<tr><td>Drew Fairchild</td><td>9,840,000</td><td>10.0%</td><td>3,662,222</td><td>2.7%</td></tr>
<tr><td>Chris Hutchins</td><td>8,760,000</td><td>8.9%</td><td>5,480,000</td><td>4.0%</td></tr>
<tr><td>John & Susan Loosemore</td><td>6,540,000</td><td>6.6%</td><td>6,540,000</td><td>4.8%</td></tr>
<tr><td>Regal Funds Management</td><td>5,800,000</td><td>5.9%</td><td>5,800,000</td><td>4.2%</td></tr>
<tr><td>Peter Sharpe</td><td>5,020,000</td><td>5.1%</td><td>5,020,000</td><td>3.7%</td></tr>
<tr><td>Morgan Hurwitz</td><td>2,800,000</td><td>2.8%</td><td>2,800,000</td><td>2.0%</td></tr>
<tr><td>Other Existing Shareholders</td><td>20,860,000</td><td>21.2%</td><td>16,094,996</td><td>11.7%</td></tr>
<tr><td>Total</td><td>98,500,000</td><td>100.0%</td><td>82,627,218</td><td>60.1%</td></tr>
</table>
<p>Refer to Section 7.1.6, Table 34, for the notes relating to the above table.</p>
<p>Subject to any additional Shares that may be acquired by Existing Shareholders under the Offer, new Shareholders will hold in aggregate 54,801,667 Shares immediately following Completion.[12]</p>
</td>
<td>Section 7.1.6</td>
</tr>
<tr>
<td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what interests do they hold?</td>
<td>
<p>For Shares expected to be held by Directors on Completion, refer to Section 6.3.1.7.</p>
<p>Directors and senior management are entitled to remuneration and fees as disclosed in Section 6.3.1 and are entitled to participate in the incentive arrangements described in Section 6.3.2.</p>
<p>Advisers and other service providers are entitled to fees for services and have other interests as disclosed in Section 6.3.4.</p>
</td>
<td>Sections 6.3.1, 6.3.2 and 6.3.4</td>
</tr>
</table>

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[12] A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

TOPIC	SUMMARY	FOR MORE INFORMATION
Will any Shares be subject to restrictions on disposal following Completion?	Yes. Certain Existing Shareholders (the "**Escrowed Shareholders**") will be subject to voluntary escrow restrictions until either (i) 12 months from Listing (in respect of Johannes Risseeuw and Christian Damstra); (ii) the Company's financial results for FY2020 are released to ASX (in respect of Morgan Hurwitz, Drew Fairchild and Chris Scholtz); or (iii) 6 months from Listing (in respect of Chris Hutchins, John and Susan Loosemore and Peter Sharpe). 61.6 million Shares will be subject to these escrow arrangements,[13] representing approximately 44.8% of the total Shares on issue immediately following Completion.[14] Subject to certain exceptions, the Escrowed Shareholders may not dispose of their escrowed Shares while those Shares are subject to voluntary escrow restrictions.	Section 6.4

1.9. OVERVIEW OF THE OFFER

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the issuers of the Prospectus?	Damstra Holdings Limited (ACN 610 571 607) and Damstra SaleCo Limited (ACN 636 039 560).	Section 7.1
What is the Offer?	This Prospectus relates to an initial public offering of Shares at the Offer Price of $0.90 per Share. A total of 54.8 million Shares will be available under the Offer,[15] of which 38.9 million New Shares will be offered by Damstra and 15.9 million Existing Shares will be offered by SaleCo.[16] The Offer is expected to raise approximately $49.3 million.[17] The Shares to be issued and transferred under the Offer will represent 39.9% of the Shares on issue at Completion of the Offer.[18]	Section 7.1
What is the proposed use of proceeds raised under the Offer?	The proceeds from the issue and transfer of Shares under the Offer will be used as follows: • to repay, in part, existing indebtedness (including certain Westpac facilities and deferred consideration in respect of Damstra's acquisition of EIFY); • to pay the contingent consideration in respect of Damstra's acquisitions of Velpic and EIFY[19] (as applicable); • for general corporate purposes, including flexibility to support Damstra's growth strategy; and • to pay for the costs associated with the Offer. $14.3 million proceeds received by SaleCo for the sale of Existing Shares will be paid to Selling Shareholders.[20]	Section 7.1.3

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13. Excluding any Shares acquired under the Offer, which, for the avoidance of doubt, will also be subject to voluntary escrow arrangements (other than in the case of Morgan Hurwitz).
14. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
15. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
16. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer. This also includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
17. This assumes 3.7 million Shares are issued or transferred under the Priority Offer.
18. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
19. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million.
20. Assumes 15.9 million Existing Shares are sold to SaleCo by Selling Shareholders.

TOPIC	SUMMARY	FOR MORE INFORMATION
What is SaleCo?	SaleCo is a special purpose vehicle that has been established to facilitate the sale of certain Existing Shares held by the Selling Shareholders.	Section 9.4
What is the consideration payable for the Shares?	The price payable under the Offer is $0.90 per Share.	Section 7.1
Will the Shares be quoted on the ASX?	Damstra applied for admission to the Official List of the ASX and quotation of Shares on the ASX (which is expected to be under the code "DTC") on Monday, 23 September 2019. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
How is the Offer structured?	The Offer comprises the following components: • **Broker Firm Offer:** open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; • **Priority Offer:** open to selected investors in Australia who have received an invitation from the Company to apply for Shares at the Offer Price; • **Employee Gift Offer:** open to Eligible Gift Employees who have received an offer from the Company to acquire, at no cost, the nearest whole number of Shares (rounded down based on the Offer Price) up to the value of $1,000 each; and • **Institutional Offer:** an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.	Sections 7.1.1. 7.3, 7.4, 7.5 and 7.8
Is the Offer underwritten?	The Offer (other than the Priority Offer and the Employee Gift Offer) is underwritten by the Lead Manager, Morgan Stanley Australia Securities Limited.	Section 7.2
What is the allocation policy?	The allocation of Shares under the Institutional Offer was determined by agreement of the Company and the Lead Manager. The allocation of Shares between the Retail Offer (comprising the Broker Firm Offer, the Priority Offer and the Employee Gift Offer) and the Institutional Offer, and the identity and level of participation of Brokers in the Broker Firm Offer, was determined by agreement between the Company and the Lead Manager. With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they allocate Shares among their Australian resident retail clients. The allocation of Shares under the Priority Offer and the Employee Gift Offer is at the absolute discretion of the Company, provided that the allocations do not exceed 3,716,112 Shares and 39,996 Shares, respectively. Employee Gift Offer applicants will receive a guaranteed allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).	Sections 7.3.3, 7.4.2, 7.5.3 and 7.6.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Successful Applicants on the acquisition of Shares under the Offer. See Section 9.5.1 for details of various fees payable to the Lead Manager.	Sections 7.2 and 9.5.1

TOPIC	SUMMARY	FOR MORE INFORMATION
Are there any tax considerations for Australian investors?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.11. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants and bidders should obtain their independent tax advice having regard to their own specific circumstances before deciding whether to invest in Shares.	Section 9.11
When will I receive confirmation that my Application has been successful?	It is expected that the dispatch of holding statements will occur on or around Thursday, 17 October 2019 and that Shares will commence trading on ASX on a normal settlement basis on or about Friday, 18 October 2019. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as practicable in accordance with the requirements of the Corporations Act. No interest will be paid on any refunds.	Section 7.2
How can I apply?	• Applicants under the Broker Firm Offer should follow the instructions provided by their Broker in relation to any application for Shares. • Applicants under the Priority Offer may apply for Shares by following the instructions in their personalised invitation to participate in the Priority Offer. • Applicants under the Employee Offer may apply for Shares by completing the Application Form included in or accompanying this Prospectus. To the extent permissible by law, an Application by an Applicant under the Offer is irrevocable.	Sections 7.3.2, 7.5.2 and 7.6.2
Where can I find more information about this Prospectus or the Offer?	Call the Damstra Offer Information Line on 1300 383 865 (within Australia) or +61 3 9415 4186 (outside Australia) from 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Damstra is a suitable investment for you, you should seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Key offer dates and important statistics
Can the Offer be withdrawn?	Yes. We reserve the right not to proceed with the Offer at any time before the issue and transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, Application Monies will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.8

2

INDUSTRY OVERVIEW

2 INDUSTRY OVERVIEW

2.1. INTRODUCTION

This Section 2 is intended to provide an overview of the global workplace management solutions market. This Section 2 discusses the whole industry and is not Damstra specific, and the information in this Section 2 has partially been derived from a market study by Frost & Sullivan that was commissioned by us for the purposes of the Offer.

2.1.1 Why is workplace health and safety important?

One of the key drivers of adoption of workplace management solutions is to reduce workplace risk and achieve better injury and safety outcomes for workers.

Over the last decade, there has been an increasing level of concern around HSE, including work-related injuries, illnesses and deaths and the negative effect they impose on families, employers and the community. Occupational health and safety ("**OHS**") relates to the body of regulation and policies which aim to protect workers from injury, fatality, disease and illness in their workplaces. In Australia, OHS policy is overseen by Safe Work Australia. The Commonwealth, states and territories of Australia retain responsibility for regulating and enforcing work health and safety laws in their respective jurisdictions. There are also similar trends and regulations in other jurisdictions, such as the United States and the United Kingdom.

In recent years, regulations have become increasingly stringent, and employers are regularly audited whereby failure to meet statutory requirements may incur penalties for their business. As a result, ensuring compliance in the workplace has become a high priority for many organisations. For organisations with multiple sites or high employee attrition that are using manual systems, it can be difficult for them to keep an accurate record over time to satisfy such requirements.

2.1.2 What is SaaS?

SaaS stands for software-as-a-service and is defined as a software licensing and distribution model whereby software is centrally hosted and delivered to licensed users on a subscription basis over the internet. Users access the software by logging onto the platform through a web browser on an internet connected device and interact with the information and processes hosted by the SaaS provider on a central platform, often called the "cloud".

SaaS has become a common delivery model for software applications utilised by organisations across many industries. SaaS removes the need for organisations to install, maintain and upgrade software and hardware, thereby eliminating or significantly reducing the costs and complexities associated with on-premise systems. SaaS is typically licensed on a monthly (or annual) usage or subscription basis, which reduces the upfront cost for users and transfers the cost of the software to a recurring operating expense (subscription fee). This is unlike traditional software, which is conventionally sold as a perpetual licence with an upfront licence fee and an ongoing maintenance fee. Software hosted on cloud-based infrastructure also allows for upgrades to be delivered automatically to all users from a centralised location with minimal impact to both the software vendor and user.

2.1.3 What is the cloud?

The cloud is a form of internet-based computing that provides access to data and programs via the internet, which are remotely hosted and stored on a network of servers. This eliminates the need to run applications or programs from software downloaded and installed on a physical computer or an on-premise server.

2.2. OVERVIEW OF THE WORKPLACE MANAGEMENT SOLUTIONS MARKET

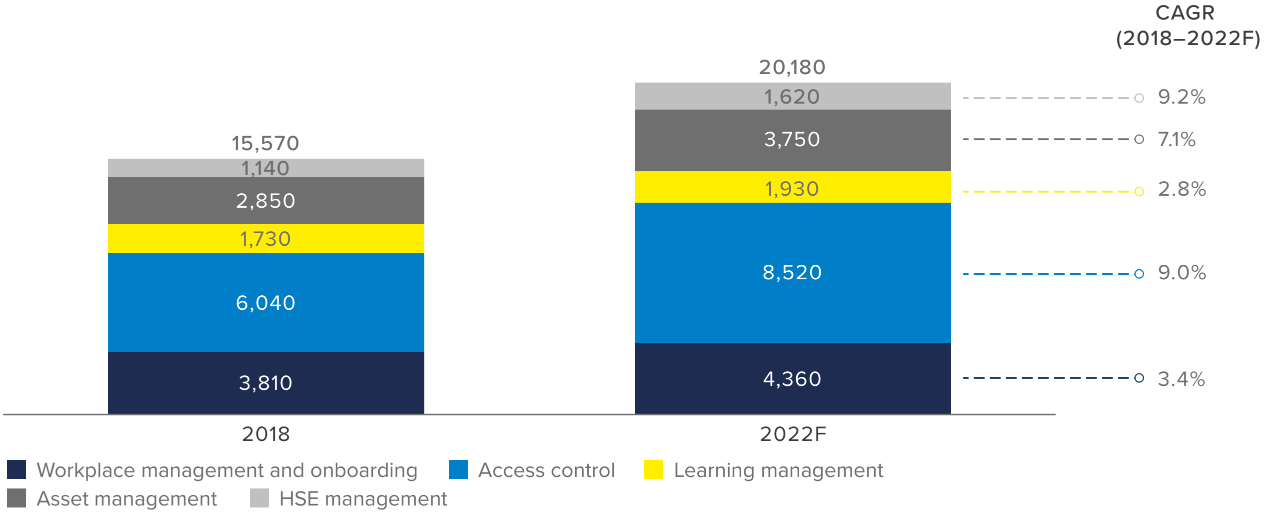
2.2.1 Overview

Workplace management solutions are used to support, improve and automate certain activities, events and data collection related to workforces and the workplaces in which they operate. In addition to the workforce management and onboarding segment[21] (as described in Section 2.2.3.1), workplace management encompasses a number of other aspects related to access control, learning management, asset management and HSE management. These different applications may be configured to organisational requirements depending on their specific needs.

2.2.2 Market size

Frost & Sullivan estimated the global workplace management solutions market to be worth approximately US$15.6 billion in 2018, and are forecasting the total market to grow at a CAGR of 6.7% to reach approximately US$20.2 billion in 2022. The breakdown of the workplace management solutions market, by segment, on a global basis, is shown in Figure 1.

Figure 1: Size and growth of the global workplace management solutions market, US$ million



Source: Frost & Sullivan

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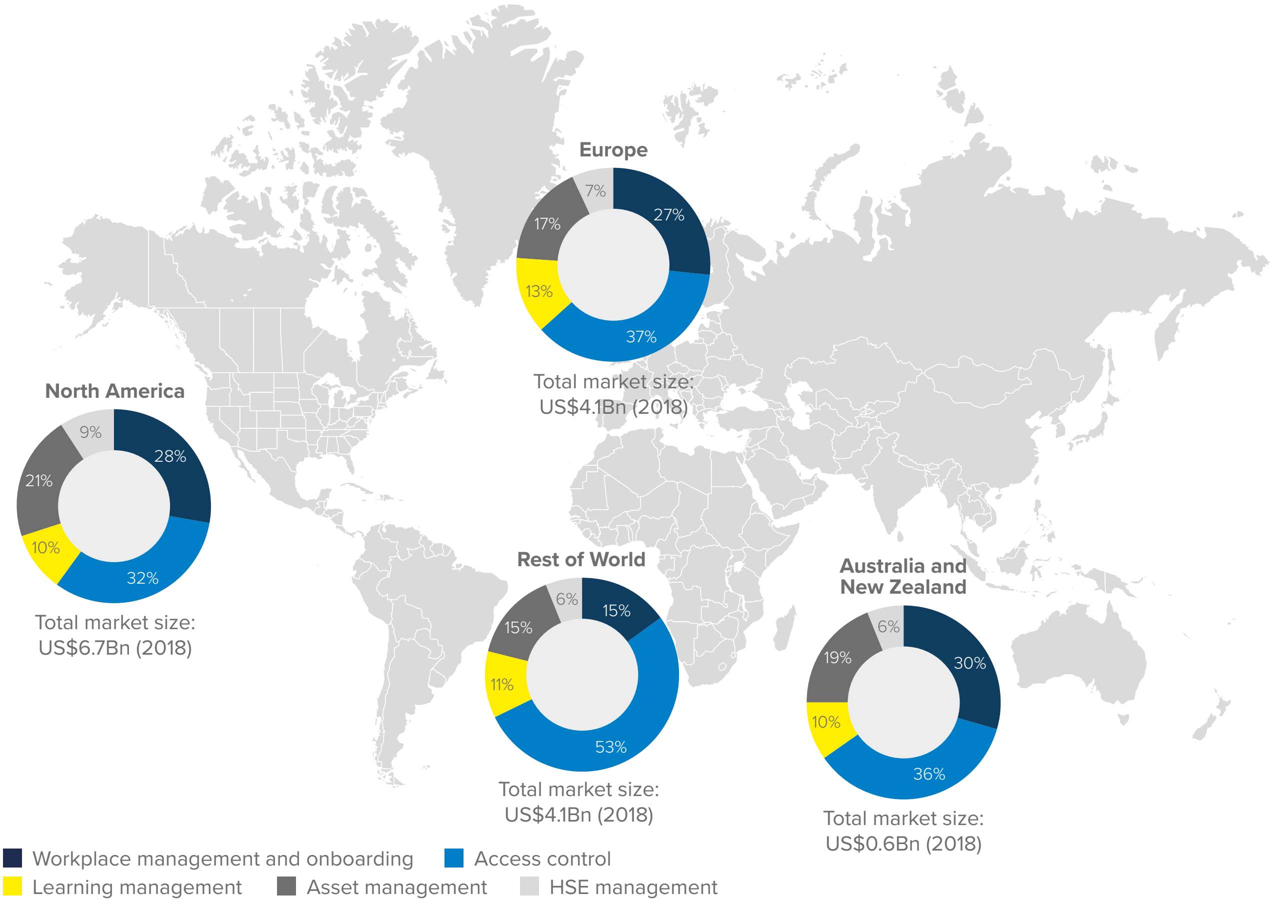
[21] Frost & Sullivan treated workforce management and onboarding as separate segments of the workplace solutions market for the purposes of the market study commissioned by Damstra (as referred to in the "Important information" under the heading "Industry Data"). However, the Company considers it appropriate to group workforce management and onboarding into the same segment as its onboarding module is categorised under the workforce management product.

2 INDUSTRY OVERVIEW

Figure 2 provides a breakdown of each of the five segments of the workplace management solutions market across four distinct geographical areas – North America, Europe, Australia and New Zealand, and the rest of the world.

Figure 2: Size and segment breakdown by region of the workplace management solutions market



Source: Frost & Sullivan

2.2.3 Segments of the workplace management solutions market

2.2.3.1 Workforce management and onboarding

Workforce management software is used to deploy, manage and optimise workforces, particularly contingent, casual, part-time or contractor workforces that are paid on an hourly basis. This software is widely used in industries such as retail, hospitality, healthcare, resources, construction and manufacturing. Applications within the workforce management category include rostering and scheduling, time and attendance, absence and leave management, fatigue management and workforce analytics. These may be provided as single, point solutions or as part of integrated workforce management suites.

Onboarding is typically an application offered within a broader human resource management software suite, and is used to manage and standardise the onboarding and induction process for new employees. This process can include managing new employee forms, background checks and compliance with automated workflows that ensure the onboarding process is complete and standardised.

2.2.3.2 Access control

Physical access control solutions are used to restrict access to properties, facilities, buildings and rooms to authorised individuals. Electronic systems are increasingly being used, typically encompassing a hardware component such as breathalysers, turnstiles, biometric recognition panels or card readers which capture the input information and feed into an integrated software component which then manages and processes the information to determine the relevant action. This is then fed back into the hardware which responds accordingly. Electronic access control systems are an increasingly important component of integrated workplace management solutions.

2.2.3.3 Learning management

Corporate learning and development solutions offer online learning and development (eLearning) courses to staff and provide an organisation with the ability to track and record enrolment, progress and completion of learning and development modules.

2.2.3.4 Asset management

Asset management software refers to software used to track fixed assets in organisations, most typically to maintain a record of, and depreciation values on, fixed assets, as well as to manage and track repair and overhaul schedules. This solution is typically part of a broader financial management or ERP software suite.

2.2.3.5 Health, safety and environmental management

HSE software is used for managing, linking and sharing data related to HSE within an organisation, including HSE policies, risk assessments, incident reports, training records and HSE audits.

2.3. TRENDS IN WORKPLACE MANAGEMENT

The penetration of cloud-based, SaaS solutions within the workplace management solutions market is at a relatively early stage, however it is accelerating due to a number of global trends. These trends are outlined below.

2.3.1 Increased outsourcing of workforce management roles

Organisations are increasingly recognising the productivity benefits associated with outsourcing workforce management functionality from traditional labour-intensive, on-premise solutions to specialist cloud/SaaS providers. Third party solutions allow organisations access to a purpose-built and customisable product suite that is integrated across products and modules, reducing the time taken to complete tasks and improving operational management and visibility.

2.3.2 A greater need for accurate, real time and auditable information

Increasing regulatory and compliance requirements of organisations, as well as a focus on managing costs, are driving the need for accurate, real time and auditable information relating to staff, premises and operations. Requirements by regulatory bodies have become increasingly stringent and organisations are choosing to implement real time auditability of their data for compliance with internal and external rules and regulations. This is heightened by the increased monetary and reputational cost associated with regulatory breaches, workplace injuries and improper access to sites and workplaces.

2.3.3 Digital transformation

Organisations have identified digitalisation as a vital step to keep pace with technology-driven performance improvement, enabling them to improve workplace efficiency and address issues in their operations and supply chains. This move has been identified by some organisations as an opportunity to fundamentally change their business model, unlocking greater improvement in productivity and efficiency, reducing costs through the value chain and improving safety. Widespread internet access and the increase in the number of mobile workplaces with remote work access have encouraged the adoption of cloud-based solutions. Similarly, traditional hardware has evolved to become more intelligent with increased integration of complex algorithms and API connectivity.

Two of the key digital trends in workplace management are the movement from manual processes to paperless for businesses, as well as the digitalisation of risk management and employee experience.

2.3.4 Increased focus on employee and sub-contractor wellbeing, training and occupational health and safety outcomes

Heightened organisational focus on employees' and sub-contractors' wellbeing and safety has resulted in the need for better training, internal risk controls, tracking and management. Integrated SaaS solutions allow for more efficient tracking of workforces whilst also enabling the timely transmission of accurate information across a multi-modular workplace management suite. One such example is the inclusion of learning management modules in workplace management solutions which are designed to constantly upskill workforces, and enhance employee and contractor engagement.

2.3.5 The need to manage complex and global workplaces

The increasing presence of contingent workers (such as casual employees and contractors), coupled with the need to increase engagement with these workforces (such as allowing workers to check schedules, request shifts and change shifts) is stimulating uptake of SaaS-based solutions. The analytics functionality within workplace management solutions is also increasingly important in allowing businesses to optimise staff deployment, with labour often the largest or a very significant cost in many organisations. Outsourcing to third parties allows organisations to improve productivity and reduce costs.

2.3.6 Greater focus on technology costs and reduction in capital budgets for internally developed solutions

A SaaS-based solution generally does not include a significant upfront software licence fee or investment in capital expenditure to deploy. Cloud-based delivery also assists clients to allocate less time, money and resources to managing and maintaining IT hardware and support. These solutions are typically accessed through a web browser, and generally do not require organisations to invest in software licences and ongoing technical support and maintenance, which are usually required for on-premise solutions.

2.4. COMPETITIVE LANDSCAPE

The competitive environment in the workplace management solutions market is fragmented, and includes single and multi-point workplace management solutions providers, large global vendors of ERP software and in-house developed solutions, all of which differ by geographic and functional coverage.

Damstra's value proposition in the workplace management solution market is to offer solutions to address multiple segments of the market, which integrate with various third party applications, as well as with hardware components that are often not offered by software-only vendors.

Table 1 summarises the key categories of competitors in the global workplace management solutions market.

Table 1: Key categories of competitors in the workplace management solutions market

	SINGLE AND MULTI-POINT WORKPLACE MANAGEMENT SOLUTION PROVIDERS	GLOBAL ENTERPRISE SOFTWARE COMPANIES	IN-HOUSE DEVELOPED SOLUTIONS
Description	• Workplace management solutions which support one or more module, product or geography	• ERP software that focuses on enterprise-wide applications	• Developed in-house by clients for their own proprietary use
Key observations	• Usually reflects a provider's expertise with one or more core workplace requirements (e.g. time and attendance on a stand-alone basis) • Users generally require additional commercial applications to build a comprehensive solution • Capability outside country or across borders may be limited • May or may not integrate with hardware on a client's site	• May operate in multiple countries • Functionality is typically focused on customised ERP software • May have limited workplace management functionality (or is not suitable for all workplace management tasks) • Usually focused on financial reporting, rather than workforce or operational optimisation • Can be relatively expensive to design and deploy a bespoke solution	• Internal systems may have been in place for some time • Typically self-hosted • May comprise multiple commercial and self-developed applications • Client bears system development and maintenance costs • May require a significant IT department to manage and maintain • Adding new functionality involves additional cost and product development risk

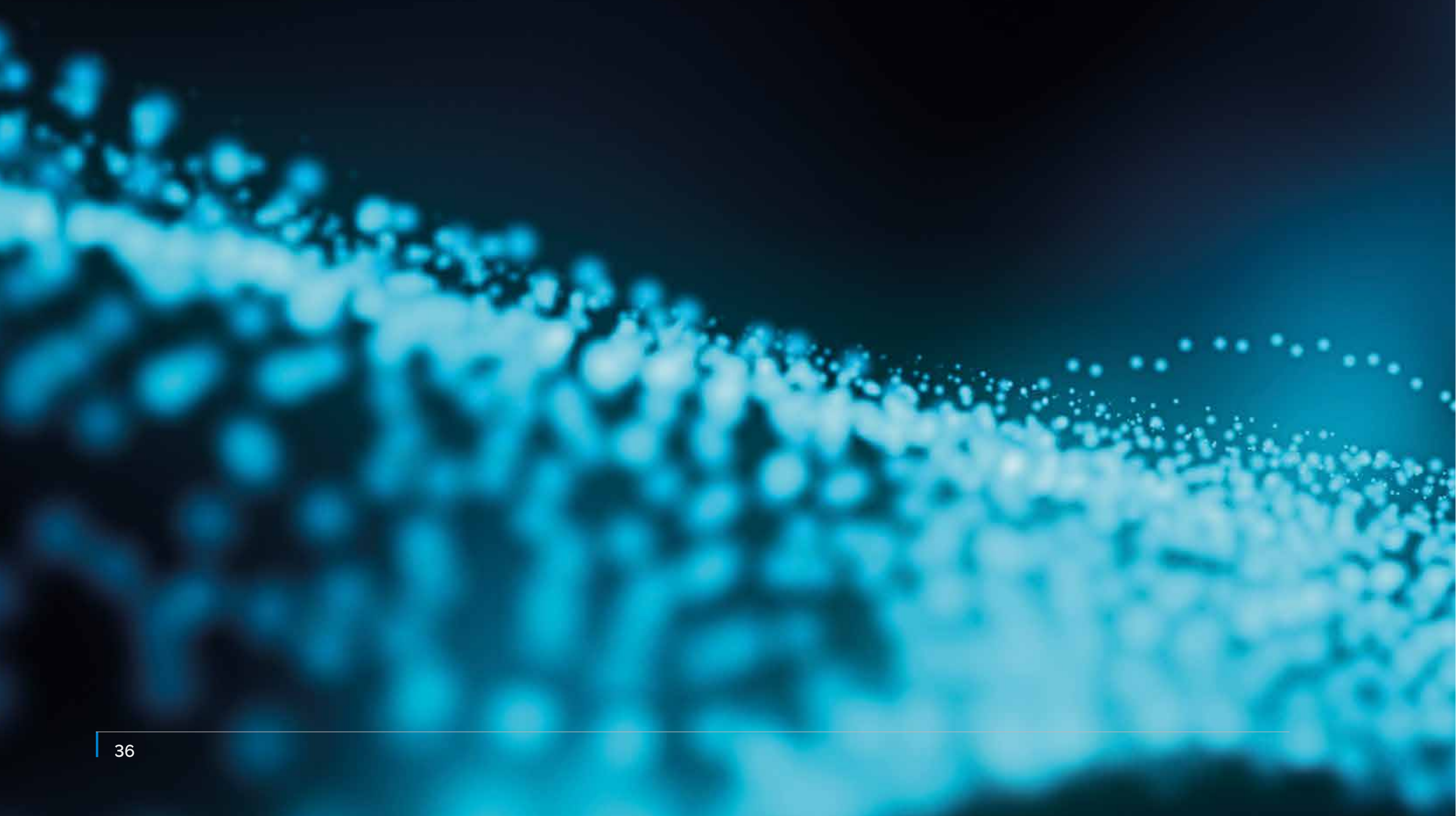
2.4.1 Factors affecting entry into the workplace management solutions market

A number of dynamics in the workplace management solutions market benefit certain existing market participants, including:

- **Ability to offer an integrated solution:** in order for new market participants to compete effectively against incumbent providers that offer an integrated solution and a broad suite of products, they will need to build scale in more than one product vertical or module;
- **Product development investment:** building, developing and maintaining a software platform (coupled with hardware rollout across sites) that satisfies the needs of complex organisations requires a substantial and ongoing investment of time and capital. New competitors will need to invest a significant amount of time, effort and capital into the design, development, testing and launch of a platform;
- **Installed hardware increases switching costs:** software coupled with hardware components result in workplace management solutions that are deeply embedded within clients' organisations. As such, the addition of physical hardware components on client sites increases the already substantial costs associated with switching workplace management providers, which may also include the upfront investment required as well as the transitioning of data;
- **Reputation and brand:** have been built over time and are a source of future opportunities; and
- **Privacy and data protection standards:** new competitors may incur significant costs associated with adhering to relevant government and industry regulations for each jurisdiction in which they wish to provide their solutions. This includes achieving privacy and data protection certifications such as system and organisation controls accreditation.

3

COMPANY OVERVIEW



3 COMPANY OVERVIEW

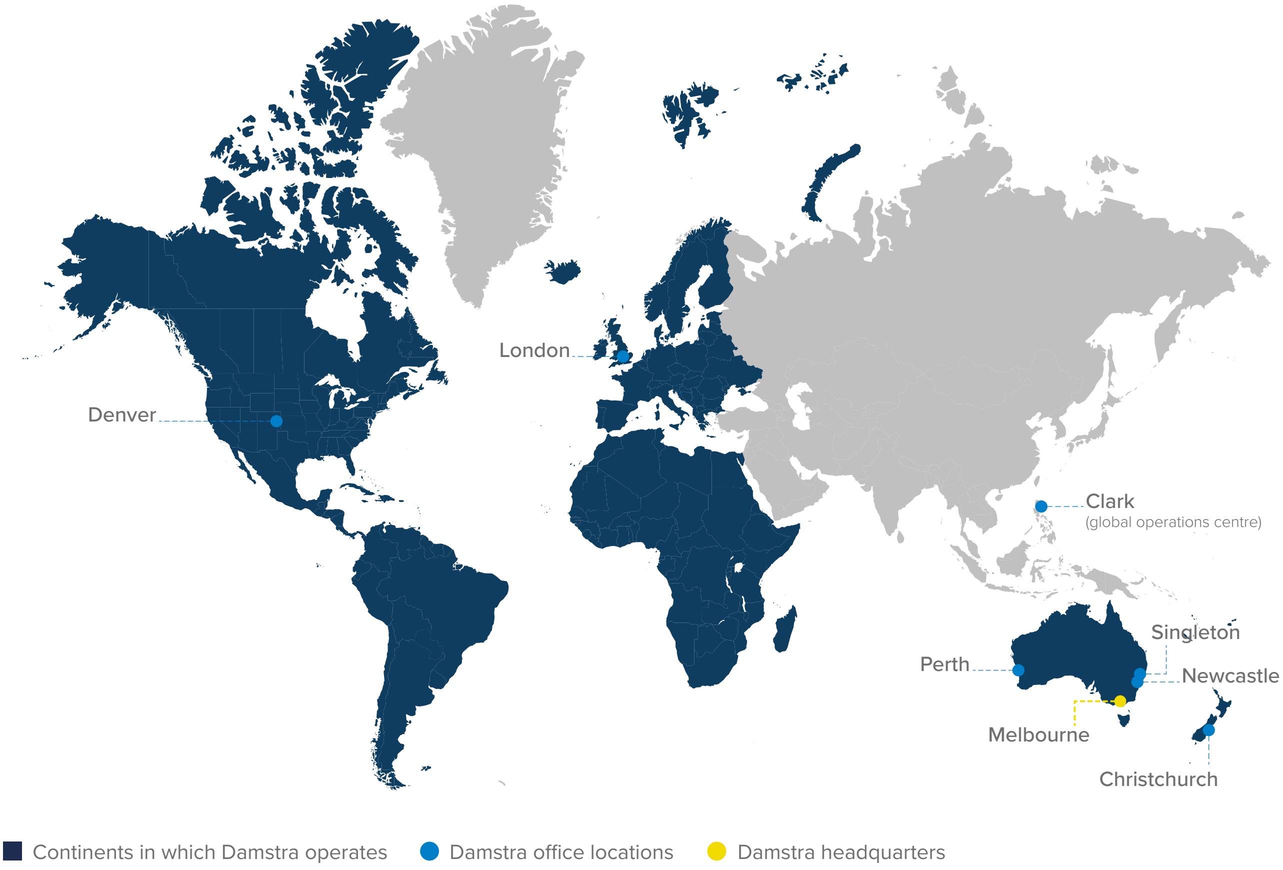
3.1. OVERVIEW OF DAMSTRA

We are an Australian-based provider of workplace management solutions to multiple industry segments across the globe. We develop, sell and implement integrated hardware and SaaS solutions in industries where compliance and safety is of utmost importance. Our solution assists our clients to better track, manage, and protect their employees, contractors and extended workforce, and assists organisations in managing risks associated with workplace safety requirements and regulatory changes.

Since 2002, we have grown from providing an Australian mining contractor management solution to an integrated workplace management solution provider with a growing client base in international markets. Our investment in technology, systems and people has grown our business to service global names. Over the past 17 years, we have been able to grow our footprint from a single Singleton office to having operations in Australia, New Zealand, the United States, the United Kingdom and a global operations centre in the Philippines.

Our clients are from a diverse range of industries, including "blue-chip" companies in the mining, construction, manufacturing, energy and utilities, and government sectors. They range from mid-sized domestic enterprises to large multinational companies, including some of the biggest mining and construction names. We had approximately 350 clients and over 330,000 registered licences across our platform, in each case as at 30 June 2019.

Figure 3: Damstra's global presence



Our core cloud-based software suite is an integrated workplace management platform, comprising of workforce management[22], access control, asset management, learning management and HSE management products and modules. For the month of June 2019, our software suite captured more than 2.3 million hours in time and attendance, over 160,000 blood alcohol readings and approximately 120,000 alerts, and verified over 42,000 documents.

Figure 4 provides a brief overview of the five key products offered by Damstra, which together provide clients with an integrated platform from which to track, manage and protect their workforce, the assets that they use, and the places in which their people and assets operate.

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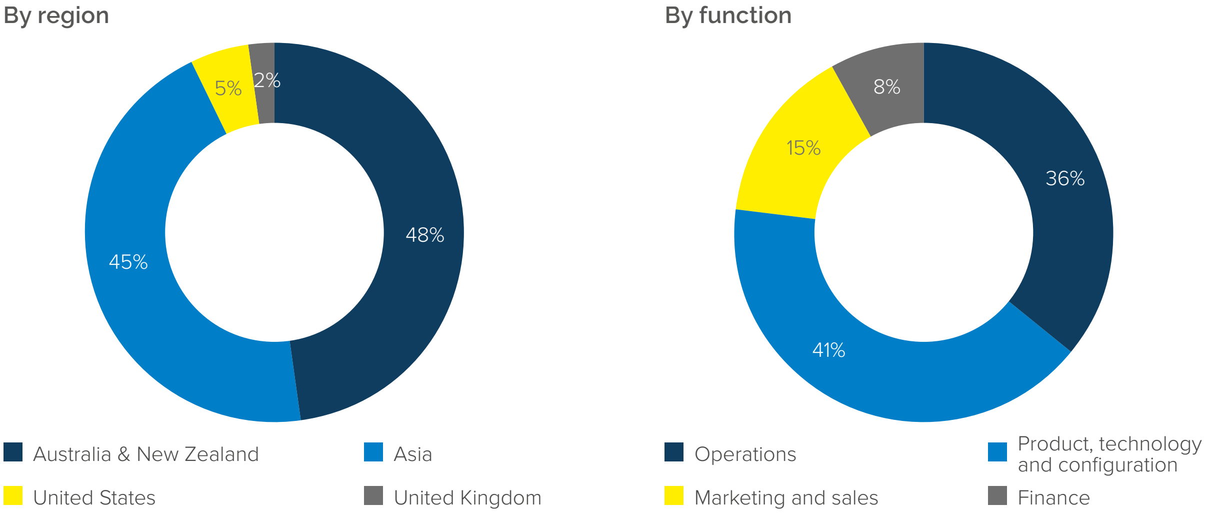
[22] As stated in Section 2, the Company considers it appropriate to group workforce management and onboarding into the same segment (being workforce management) as its onboarding module is categorised under the workforce management product.

Figure 4: Overview of Damstra's integrated workplace management platform

As at 1 August 2019, we had 101 full-time workers.[23] Figure 5 provides a breakdown of our full-time workforce by region and function. Of our total full-time workers, approximately 41% are focused on technology and product development (as at 1 August 2019).

Figure 5: Breakdown of Damstra's workforce



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[23] Includes 45 workers in our Philippines global operations centre who work exclusively for Damstra through a contractor arrangement with a third party contractor.

3.2. COMPANY HISTORY

Damstra was originally founded in 2002 as a labour hire company in the black coal mining industry in New South Wales, Australia. It soon became apparent that providing workplace compliance and assurance solutions to the mining industry was a better fit for our organisation. Since then, health, safety and workplace compliance and industry standards have spread across multiple industries including construction, telecommunications, manufacturing, transport and government. This has created a challenge for many organisations to reliably manage, maintain and demonstrate compliance of their workforce. Our services provide a time and cost-efficient solution to these requirements across multiple sectors. The Damstra solution helps to achieve this by digitally managing and maintaining company and industry-specific requirements for clients.

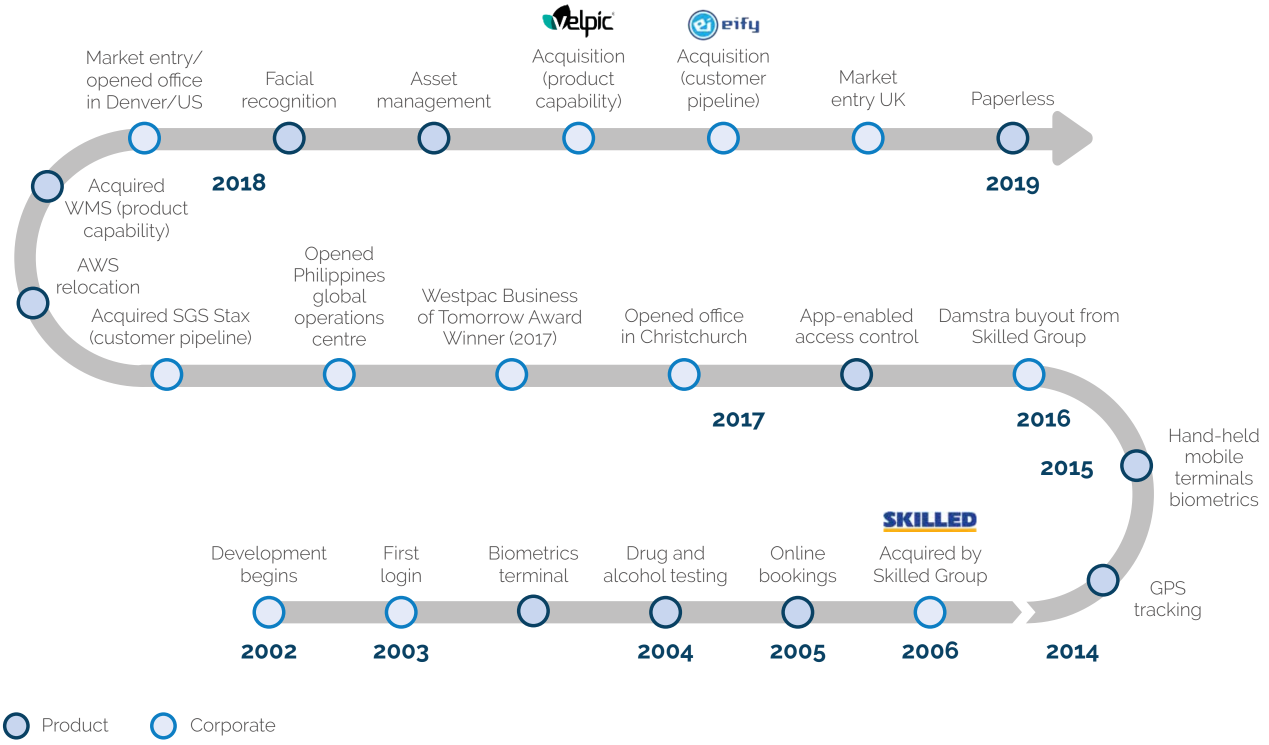
In 2006, Damstra was acquired by Skilled Group, under which the Company reduced its focus on labour hire activities and instead concentrated on technology development. It operated this way until the acquisition of Skilled Group by Programmed Group in 2016, after which Christian Damstra (our current CEO) and Johannes Risseeuw (our current Executive Chairman) took the Company into private ownership.

Following the footprints of our global clients, we started to extend our offerings into markets outside of Australia. We commenced operations in New Zealand and successfully gained several clients in this market, opening our first international office in Christchurch. In 2017, we opened a global operations centre in the Philippines to provide cost-efficient scalability as well as 24/7 support to our global clients as we grew our client base.

In 2018, Damstra embarked on its expansion into North America and surrounding markets, successfully signing Newmont Goldcorp as the Company's first truly international client. We also recently entered the United Kingdom market, with a pilot of our solution currently in progress. In addition, over the last three years, we have completed strategic acquisitions of four small competitors to accelerate growth, acquire new clients and extend our product offerings. More details regarding these acquisitions can be found in Section 3.8.2.

Figure 6 provides a summary of Damstra's operating history since 2002.

Figure 6: Key events in Damstra's history



3.3. PLATFORM AND PRODUCT OVERVIEW

3.3.1 Modular platform

Our platform provides an integrated workplace management solution for organisations. Our core products include workforce management, access control, asset management, learning management and HSE management. These products are integrated within a single platform, allowing users of multiple products to have access to real time data on their workforce across all our product offerings. Each product is designed in a modular approach and our software is mobile enabled for use on remote sites or by mobile workforces.

An illustration of our product module approach is set out in Figure 7, which provides examples of modules that clients can select within each product. Our clients are able to select individual modules and do not necessarily have all modules within a product active at any point in time.

Figure 7: Damstra's product suite and modules

Product

	Workforce management	Access control	Asset management	Learning management	HSE management
Description	Assists in ensuring that workers are approved to be on site and compliant	Range of solutions with integrated verification providing live data	Managing and tracking assets for an entire lifecycle	Assists in ensuring workers are inducted, work-ready upon site arrival and trained on an ongoing basis to maintain and develop skills/competencies	Remotely managing health, safety and environmental risks on site
Modules	Prequalification supplier	Verification via swipe card, biometric, facial	Acquisition and history profile	Skills matrix and gap analysis tools	Incident and hazard management
	Prequalification worker	Turnstiles, gates and doors	Asset register	Training needs analysis	Risk assessment management
	Verification of worker/supplier	Alcohol and drug testing	Services and maintenance schedule	Accessible on any device	Safe work method
	Time and attendance	Visitor management	Equipment login and logout functions	Notifications of expiring competencies	Consultation management
	Fatigue management	Evacuation and muster		Full control of content	Mobile inspections and audits

Analytics and Reporting

- **Workforce management**[24]: tracks time and attendance of workers and assists in ensuring workers are approved to be on site and compliant at all times. Our prequalification and verification modules ensure workers and suppliers are properly onboarded with relevant identifications and qualifications requested. Alerts will appear if a worker has worked hours exceeding fatigue regulations or does not hold a qualified licence for a specific action (including if their licence has expired). Organisations are able to track all of this from a dashboard, showing accurate live data relating to their workers;
- **Access control:** tracks access rights of all people entering the work site, including visitors. Employees can be verified via a swipe card or biometric recognition technology (including facial recognition and fingerprint access). The hardware and software onsite or mobile is also able to track alcohol and drug tests, which assists in ensuring all workers are compliant to enter. The access control solution extends to turnstiles, gates and door management;

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[24] As stated in Section 2, the Company considers it appropriate to group workforce management and onboarding into the same segment (being workforce management) as its onboarding module is categorised under the workforce management product.

- **Asset management:** allows companies to accurately track and maintain assets at their sites. Clients are able to view in real time where all their assets are, service history for each item (thus understanding when it is time for maintenance), usage and other lifecycle metrics and equipment login and logout hours. Our solution includes functionality allowing organisations to verify that operators of equipment have the necessary competencies to do so, as well as tracking plant and equipment on site and compliance on assets subject to regulatory requirements;
- **Learning management:** provides skill building and training required for different employees, assisting to ensure the entire workforce is upskilled for their respective roles. These training modules are accessible via mobile devices for ease of employees. Employers can track the progress of their workforce via a live dashboard, including any expiring competencies; and
- **HSE management:** managing the HSE risks related to workforces and the sites on which they operate. This module assists in ensuring safe work methodology is applied and risk exposures are minimised. Risk mitigation can be achieved through increased visibility, alerts, real time data availability and elimination of errors.

Workforce management and access control are currently our core product offerings. However, the proportion of our total revenue attributable to these two products is reducing as the other product capabilities have grown.

The reporting functionality of the above products allows organisations to track their entire workplace's information in real time, including time and attendance information, hours worked, ability to export to payroll/human resources systems, licence expiry alerts, access control information, blood alcohol concentration ("**BAC**") reporting, skills matrix, overstay/fatigue alerts, report building and dashboard summaries. Examples of our real time reporting system are shown in Figures 8, 9 and 10.

Figure 8: Workforce management – example live heat map

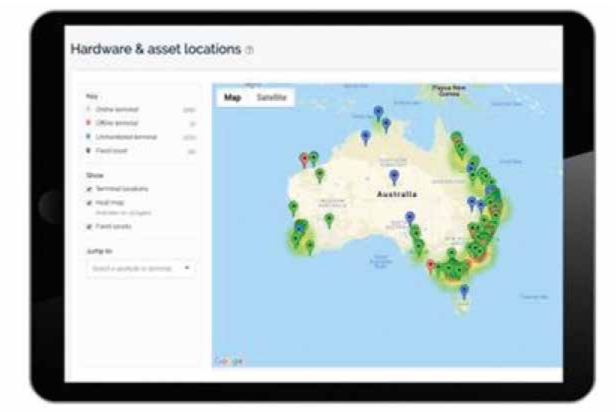


Figure 9: Workforce management – example screenshot of a Damstra personnel file

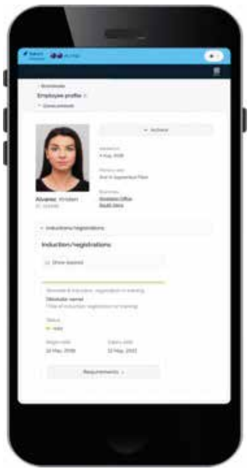
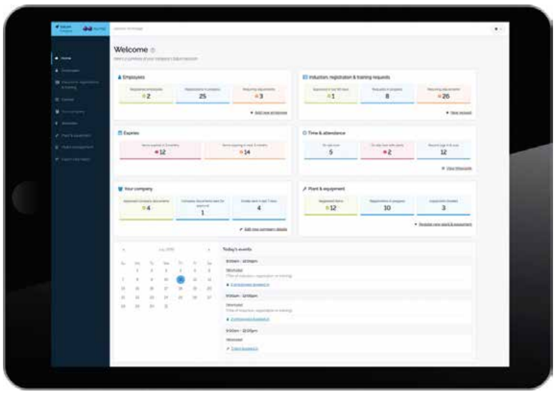


Figure 10: Workplace dashboard – example screenshot of Damstra's live dashboard



3.3.2 Hardware components

Our software integrates with hardware devices to provide real time data collection and access control services. Our onsite hardware devices are able to continue to operate offline and in harsh environments. As an example, our alcohol breath testing hardware devices are available as wall-mountable units which can be customised to control the frequency and level of testing or as portable devices. Our access control hardware incorporates biometric technology for verification purposes and proximity card solutions. Damstra sources its hardware through various arrangements with third party suppliers.

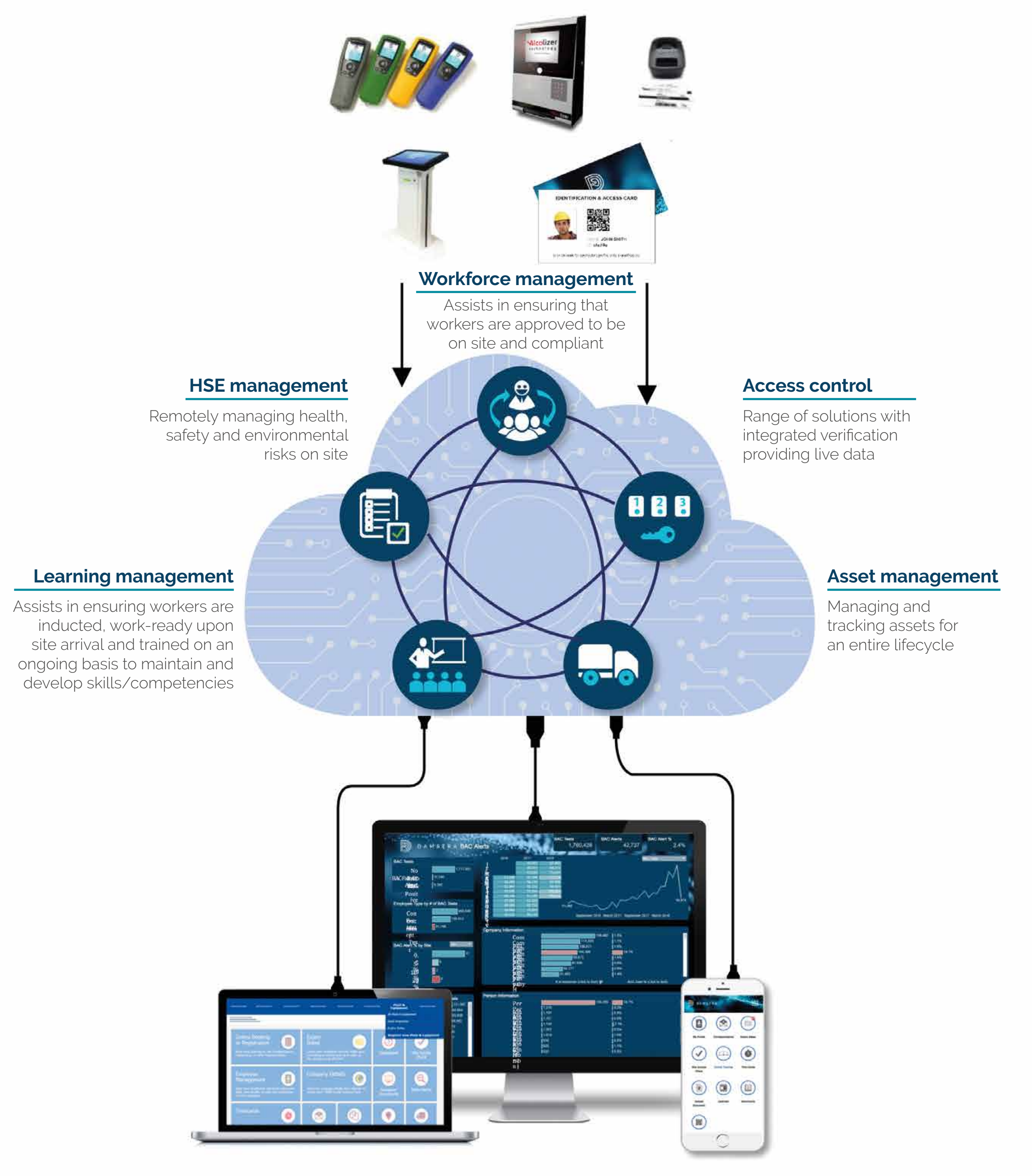
An overview of our key hardware offerings are shown in Table 2.

Table 2: Damstra's key hardware offerings

	PRODUCT	DESCRIPTION	KEY FEATURES
	**Login terminal (card reader)**	• Touch screen displays with 'swipe and go' functionality, where employees swipe their cards through the card reader and the terminal determines the type of punch (in/out)	• Accessed by all persons on a site • All site visitors tracked and recorded • Qualifications and competencies of all people on site tracked and recorded • Time cards of all workers tracked and recorded • Accessible via a mobile app using QR code technology • Random training audits • Site evacuation lists
	**Alcohol and drug testing (breathalysers)**	• Provide BAC testing for mine sites, construction sites, transport depots, manufacturing plants, corporate offices and other locations • Breath testing for alcohol with customised frequency and varying BAC thresholds • Offer both wall-mountable and portable devices	• Random selection • Voluntary testing • Testing all or percentage of people attending site • Automatic calibration every 24 hours • Integrated with Damstra's SaaS platform to store and report on BAC levels and results
	**Tablet solutions and printers**	• Workforce time and attendance tracking or access control applications • Contractors/employees can sign in using card access or biometric recognition to track attendance or to provide monitored access to a work site	• Skills and qualifications of all workers/visitors can be captured and cross-checked • Customised access grants for different skill and qualification levels

Figure 11 demonstrates how our software and hardware components are integrated into a single solution for our clients.

Figure 11: Damstra's integrated products



Workforce management

Assists in ensuring that workers are approved to be on site and compliant

HSE management

Remotely managing health, safety and environmental risks on site

Access control

Range of solutions with integrated verification providing live data

Learning management

Assists in ensuring workers are inducted, work-ready upon site arrival and trained on an ongoing basis to maintain and develop skills/competencies

Asset management

Managing and tracking assets for an entire lifecycle

3.3.3 Product differentiation with competitors

We believe Damstra has a number of key competitive strengths as a result of providing a comprehensive set of products built on a single interface with integrated modules as well as hardware offerings that might otherwise be provided through separate applications and multiple vendors. These strengths include the following:

- **Integration within and across products:** data is available across other products or modules, thereby eliminating duplicate inputs and allowing real time access across functions. This can significantly reduce data entry costs, error rates and delays, resulting in improved productivity and operational management;
- **Live data anywhere, anytime:** data is available across all regions at any time. This allows clients with broad or disperse footprints to have access to the most updated data at any time, for any site from a single location; and
- **Comprehensive product range:** our integrated hardware and software suite across five key modules assists in ensuring that clients' workplace management needs are addressed in a single-platform solution.

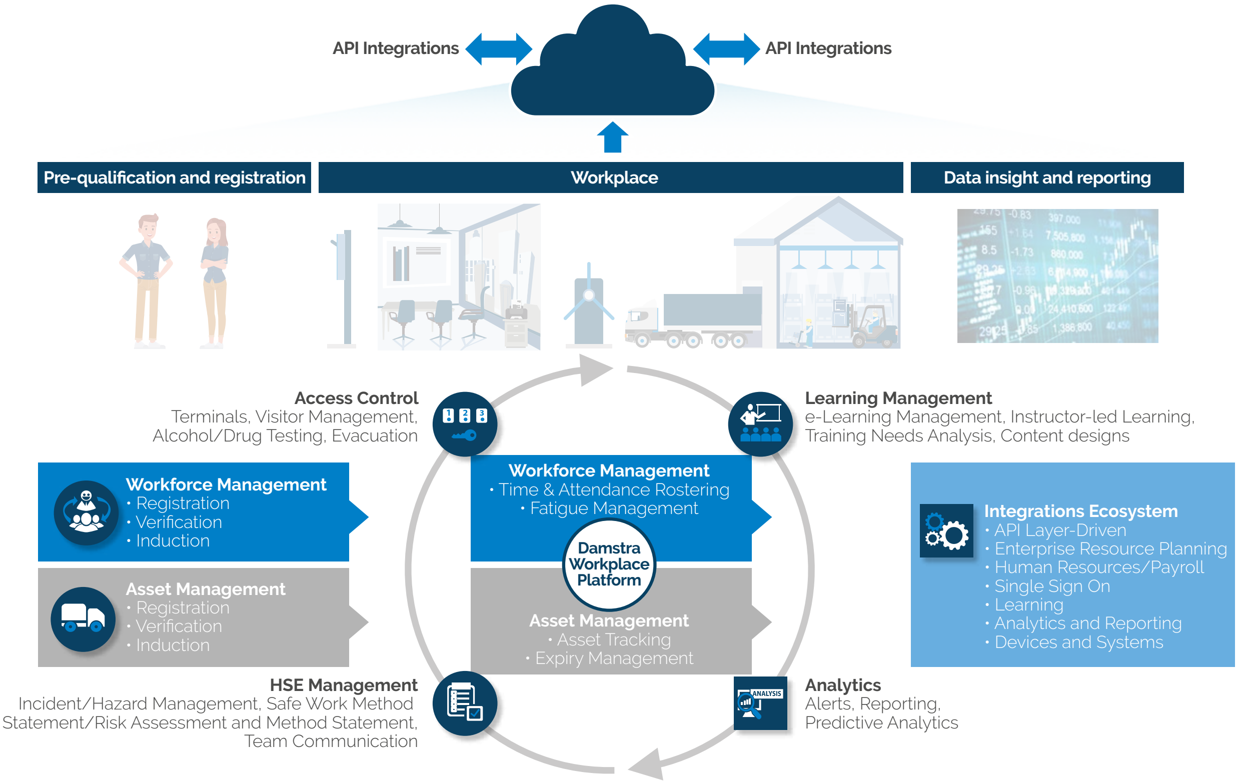
Because of these points of differentiation, we deliver numerous benefits to our clients, including:

- **Adherence to internal and external compliance policies:** clients can tailor aspects of our workplace management solution to create reporting in line with their internal and external compliance policies. This includes, for example, alerts for employee licences which are about to expire, training modules which have not been completed prior to employees conducting relevant tasks, maximum number of hours a contractor can work, and blood alcohol levels on site;
- **Global scalability:** clients can add new geographies and licences for different sites or new projects and have all data accessible on our platform. Our system setup enables clients to adapt their use of the system to meet their scale requirements, whether they are a large global organisation or smaller regional site;
- **Risk mitigation:** real time processing of accurate information associated with health and safety in regulated industries such as mining and construction can be important for those clients. If regulations such as alcohol level readings have been breached, it could result in injuries on site or regulatory penalty. This risk can be better monitored and managed through the Damstra solution due to enhanced data visibility and real time alerts and elimination of error associated with re-entering data;
- **Increases in efficiency:** our clients realise efficiency gains through the reduction in the number of, and reliance on third party vendor software applications; and
- **Reduction in resources and costs:** as our clients increase efficiency through the reduction in coordination between third party vendors, they may also be able to reduce operational resources via eliminating costs associated with managing multiple systems, vendors and applications. Our solution can also significantly reduce labour-intensive processes and related costs through its automation of processes.

3.3.4 Damstra workplace platform experience

Our products are designed to provide a comprehensive end-to-end experience for our clients, from pre-qualification and registration of new workers and assets to the end workforce data insight and reporting. Figure 12 provides an illustrative example of the Damstra experience from a client's perspective.

Figure 12: Illustrative example of the Damstra experience



3.3.5 Intellectual property protection

We protect our intellectual property through a combination of trade marks, domain names, copyrights and trade secrets, as well as contractual provisions and restrictions governing access to our proprietary technology. In relation to our core technology, we enter into confidentiality agreements with our employees, consultants, contractors and business partners. Our employees and contractors who work on material software are also employed or engaged under agreements that contain intellectual property ownership and confidentiality provisions, pursuant to which we retain rights to core technology that they develop for us.

3.4. BUSINESS MODEL

3.4.1 Revenue generation

We generate revenue from a user licence model, often coupled with recurring hardware payments, which are driven by the number of licence subscriptions and renewals and the penetration of new products and modules within clients. We enable clients to expand their usage on an as-needed basis, assisting us to grow revenues over time as clients become more familiar with our product and potentially add more users, products and modules. In addition, our cost base is relatively fixed as the number of licences grows, which provides operating leverage as our business scales.

On average, over 90% of our revenue is recurring (based FY2018 and FY2019 revenue),[25] underpinned by client contracts which are typically three or more years in duration. Key drivers of revenue are:

- prepaid annual subscription fees for each licence;
- monthly payments for hardware provision and maintenance;
- fees for hardware installation and maintenance;
- online training fees for training packages; and
- card issuance and replacement fees.

For our clients that have employees using the Damstra solution, annual subscription fees are paid by employers. For our clients that have contractors who are not directly employed by our clients, annual subscription fees are typically paid for by each contractor before they commence their work with our client.

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[25] Refer to definitions in Section 4.2.6.

Table 3 provides a summary of the key drivers of revenue for Damstra.

Table 3: Key drivers of revenue for Damstra

CATEGORY	RECURRING REVENUE STREAMS	OTHER REVENUE STREAMS
Software subscriptions per product	• Prepaid annual subscription fee per licence per product	• Identification card issuance • Card replacement
Hardware provision	• Monthly fee per item • Fees determined by type of equipment supplied, volumes and locations	• Site configuration and implementation of hardware devices
Other revenue	• Provision of online and in-person training packages per licence	• Onsite training programs • Development of training programs • Creation of training content for online courses • Customisation and software development

3.4.2 Key strengths of our business model

The key elements of our business model include:

- **Increasing client need for risk and compliance management:** as more industries start to experience increased regulatory scrutiny, there is a greater demand for workplace management solutions we offer;
- **Rollout of hardware to dispersed client sites creates immediate barrier to entry:** the hardware component of our solution offering is integrated with our software platform. The placement of hardware components on our client sites therefore increases the "stickiness" of our products (and creates a barrier to entry for our competitors);
- **Embedded and integrated SaaS platform:** our integrated software platform it is designed to be simple and easy for our clients to use. Our various product module offerings can all be accessed from the one platform, with data entered in each accessible in real time for all other modules;
- **Ability to scale across users, sites and geographies:** through our one-platform approach and scalability of our software, we are able to expand our offerings across multiple users, sites and geographies. Existing clients are able to use our software across multiple sites and projects in different geographical locations and analyse live data across all locations from one point; and
- **Improved outcomes for clients – increased efficiency, reduced compliance risk and increased auditability:** our mission is to reduce risk and increase safety for our clients. Through the use of our solution, clients are able to easily track and manage information critical to maintaining the safety of their workplace. They are also able to keep a record of this information for regulators for audit purposes.

3.5. PRODUCT DEVELOPMENT, INNOVATION AND TECHNOLOGY

Continuous product development and innovation is an important driver of growth for Damstra. As at 1 August 2019, 41% of our full-time workers were engaged in improving and extending Damstra's solution, developing the next generation of features and new products that we intend to bring to market in the future. More than 1,000 product features were released in FY2019, including our new asset management product and learning management integration functionality.

We aim to expand our global platform by developing and commercialising innovations, including through:

- developing new modules (in addition to our current offerings), as requested and guided by our clients' business requirements (e.g. our development of the asset management product in order to assist clients with reducing time to register and verify plants);
- drawing ideas and feedback from our workforce, including from service, implementation, account managers, development, marketing and sales teams who drive identification of opportunities for our clients;
- monitoring various industries and companies for new trends and ideas (e.g. redesign of our user interface and user experience platforms);
- continuously seeking and developing technology components to expand and improve our existing products and modules (e.g. facial recognition technology);
- developing innovative hardware components to complement our software products;
- extending access to new geographies and enabling new languages;
- upgrading capability to cover compliance with existing and new regulatory requirements/technology;
- adding quality improvements; and
- adhering to the principle of maintaining a single source code for our SaaS solutions.

This is delivered via our agile development strategy, guided by principles of leading with interactions and innovation, building prototypes for proof of concept and feasibility, testing ideas and designs through iterations and integrating onto workplace management platform. For example, our agile methodology and implementation plan has culminated in our development of facial recognition capability, asset management products and integration of our learning management system.

Product development initiatives in the pipeline include digital form and workflow management product, digital hazard and incident management, further development of facial recognition technology, flight scheduling and rostering, RFID technology, and predictive analytics and artificial intelligence.

Our platform is cloud-based, hosted within Amazon Web Services ("**AWS**") data centre. It is secured by Cisco and data is backed up both on and off-site. The system is regularly tested for intrusion via an external, third party testing provider. Our software provides continuous disaster recovery replication links to other data systems and all data is encrypted.

Our touch screen software and automated back-end processing system for alerting and tracking is developed in-house by our IT department. Compatible devices include onsite touch screens, hand-held devices, mobile smart phones, iPads and tablets. We aim to deliver an uninterrupted service to our clients which includes off-site daily backups of our system and dual stages of internet fail-over connectivity via cable and satellite connections. This allows us to aim to deliver uninterrupted service to our clients.

3.5.1 Integration ecosystems

Damstra continuously expands its integration ecosystem building connectivity to interface partners including ERP, human resources/payroll software vendors, sign-on platforms, learning, analytics and reporting tools, devices and systems and other API integrations. We build, extend and maintain our interfaces to grow the scale and reach of our solution.

For our clients, integration with the Damstra solution across organisational systems and platforms helps deliver improvements in safety and compliance, as well as productivity and efficiency in the workplace.

3 COMPANY OVERVIEW

Table 4 provides a summary of the various integrations that are built in to the Damstra platform for our clients.

Table 4: Damstra's integration environment

EXTERNAL INTEGRATIONS	DESCRIPTION	SELECTED EXAMPLES
ERP	We support widely used business management software that incorporates a range of business functions including accounting, inventory management and purchasing	SAP IBM TechnologyOne
Human resources and payroll	Our integration with human resources and payroll software providers further supports a seamless client experience through an automated payroll solution from collecting workforce time data and applying pay policies	Kronos PrismHR Subscribe-HR Deputy INX Chris21
Sign-on platforms	We support interfaces which provide clients with control and access to many applications through a single sign-on, leading to increased productivity	Google Okta Microsoft Azure
Learning	We integrate with workplace learning providers to support clients' workforces across multiple industries and functions	John Blake GO1 SBIA
Analytics and reporting	We support providers of data visualisation and reporting which assist clients to make business decisions using the comprehensive workplace data our system collects	Tableau Exago Leica Geosystems
Devices and systems	Our integration with physical devices and systems provides clients with a variety of methods to improve their business functions Clients have the potential to utilise many different solutions to enhance the efficiency and effectiveness of operations	Site printers/networks Turnstile control systems RFID Key cabinets Alcolisers Time and people clocks
Other API integrations	We are able to integrate into various devices and systems as requested by our clients This ranges from integration with physical devices as well as tailoring to company-specific requirements	QR code enabled turnstiles High temperature rated terminals

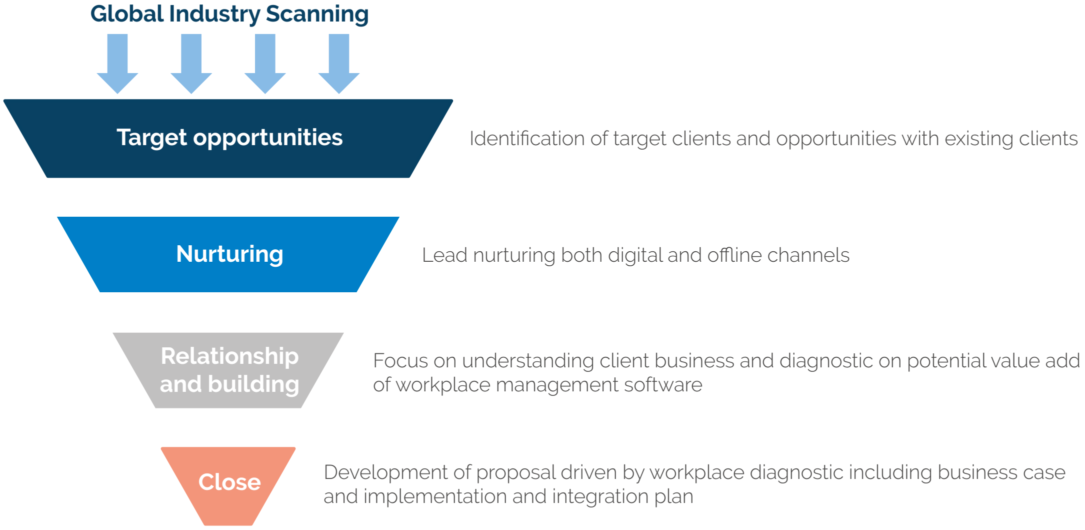
3.6. SALES AND MARKETING

Our revenue growth is primarily driven by a range of sales and marketing strategies focusing on winning new clients, growing existing clients and the upselling of additional products and modules to our existing client base.

The sales and marketing team is divided into two functions – new client acquisition and account management (e.g. client support and cross-selling). The two functions work cohesively to target key industries and clients through both a lead generation and marketing strategy, and an account management strategy. Our global sales and marketing team typically focuses on identifying and working with key safety and human resources leaders within organisations. These key leaders typically become an internal champion for our solution.

Figure 13 provides an overview of our sales and marketing approach from identifying market opportunities through to closing a sale.

Figure 13: Integrated Global Marketing and Sales Strategy



The key elements of our sales and marketing strategy are described below.

3.6.1 Marketing segmentation and targeting

Segmentation and identification of target clients globally is core to our marketing and sales strategy. For each of our priority industry segments, we identify the organisations where we believe we can add value and develop a detailed value proposition that drives our marketing and sales plan for the potential client. As part of our marketing mix both digital and traditional marketing channels are utilised and a sales team is allocated.

3.6.2 Direct sales

Our global sales personnel are focused on winning new clients. We identify target industries and companies in which we can build relationships to better understand their business. We then apply our diagnostic scoping framework to identify the areas in which we can add value. This includes demonstrations and pilots of our platform. Sales efforts are often targeted around events (such as new government regulation) that prompt industries to take actions in relation to compliance. This approach aims to combat the lengthy nature of software sales cycles and client inertia. Employees in the client acquisition team also develop a pipeline of new client targets, and related sales plans, based on the size of the opportunity and the probability of success.

3.6.3 Cross-sell of products

Our integrated platform allows us to target existing clients who are using workplace management systems from other providers to switch to our solution and subscribe to multiple products and/or modules so they can be used as a single integrated platform. The potential to cross-sell new products and modules to existing clients, as well as upsell to an increased number of users, represents an opportunity to generate additional revenue. Every client is assigned an account management team focused on account servicing and the identification of opportunities for upselling and cross-selling.

3.6.4 Channel partners

In line with our global expansion strategy, we are currently implementing a partner model allowing us to fast-track our global roll-out by utilising partners already operating in those countries with existing relationships in our target industries.

As part of our channel partner strategy, we have established relationships with distribution partners. These partners include Kronos (global partnership) which supports our onsite hardware and data collection, TechnologyOne (ANZ and United Kingdom) which supports e-learning that integrates into our ERP system and ESQ (Queensland Energy Industry SkillsPass) which supports our workforce management modules.

We will expand our channel and distribution partner footprint to fast-track our growth in particular in the United States and United Kingdom. Our channel partner model provides opportunities for a diverse range of partners to sell our products, services and hardware, including resellers, referral partners, services partners, development and hardware partners as well as consultants.

Our six types of channel partner relationships are characterised by the type of relationships, assistance with lead generation, certification of the partner salesforce and responsibility of the partners in the implementation and deliveryof our solution. Depending on the volume of business generated, partners are invited to participate on a certified, gold or platinum level. This is outlined in Table 5.

Table 5: Channel partner relationships

	RESELLERS	REFERRAL	SERVICES	DEVELOPMENT	HARDWARE	CONSULTANTS
Client relationship	Reseller	Partner	Shared	Shared	Shared	Shared
Lead generation	Existing reseller base	Both	n.a.	n.a.	n.a.	Consultant
Sales education	Damstra	Sales support	Certification training	Certification training	Certification training	Sales support
Client service and support	Shared	Damstra	Shared	Shared	Shared	n.a.
Implementation and delivery	Damstra	Damstra	Partner	Partner	Partner	n.a.
Partnership category available	Gold Platinum	Certified Gold Platinum	Certified Gold Platinum	Certified Gold Platinum	Certified Gold Platinum	Certified Gold Platinum

3.7. KEY CLIENTS

We provide SaaS solutions to over 350 clients across eight countries, with over 330,000 registered licences (in each case as at 30 June 2019). Our software has been built for widespread adoption and to address workplace management requirements of multiple industries. Our platform is suitable for companies of all sizes and is scalable from a small number of users to tens of thousands of users. It is also applicable for companies with multiple sites or projects, where contractors are deployed in different regions. Our clients range from mid-sized regional or country businesses to large global-scale operations. We have long-term relationships with many of our clients, and an increasing client retention rate, which was over 97% between FY2018 and FY2019 (based on total revenue).[26] On average, our five largest clients (by FY2019 revenue) have been with us for more than six years.

Our success in entering the global market is highlighted by the fact that our "blue-chip" client base in Australia is made up of some of the largest names with global reach. Our clients have brought us into new markets through their existing global operating footprint.

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[26] Client retention rate is calculated as the proportion of FY2018 pro forma revenue generated by clients who remained revenue generating clients in FY2019.

Table 6: Selected clients of Damstra by industry

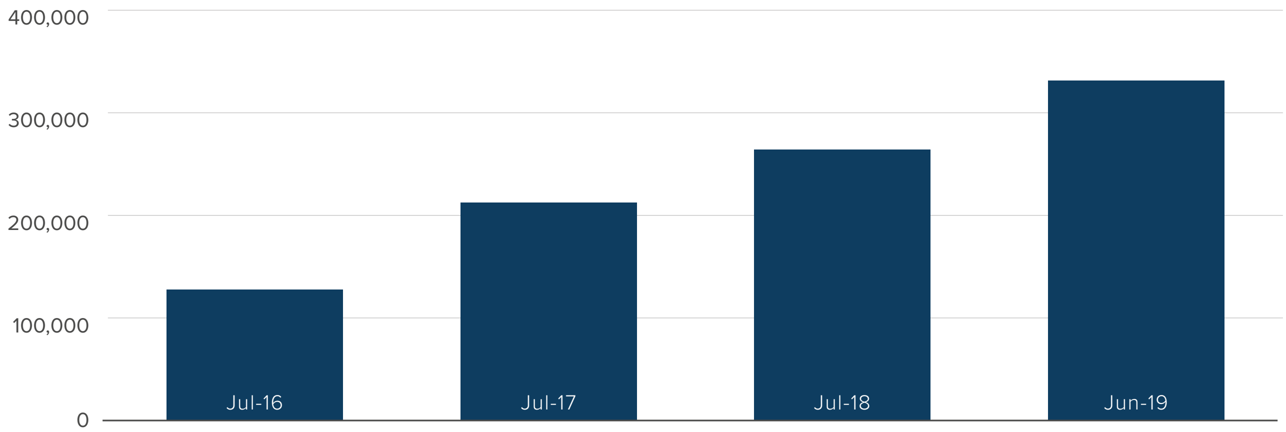
Mining	Newmont Goldcorp	Bengalla	Glencore	Lake Coal
Construction	CPB Contractors	John Holland	Laing O'Rourke	NBN
Manufacturing	AHG	Bridgestone	SCEE	Ravensdown
Energy and utilities	AGL	Sedgman	Arrow Energy	Thiess
Government	Energy Skills Queensland	St Agnes' Parish	Gladstone Regional Council	Lafarge Holcim
Others	Georg Jensen	Orica	Canterbury Bulldogs	The Cheesecake Shop

Note:
The above list of Damstra's client base is not exhaustive and represents a selected group.

Our top five clients (by revenue in FY2019) contributed greater than 50% of total licence and hardware fees received in FY2019, with our top two clients having contributed approximately 35% of total licence and hardware fees received in FY2019. All of our top five clients are currently on fixed-term contracts[27], ranging between two and five year terms[28], and some have been clients of ours for multiple years. In addition, these top five clients operate in different industry sectors (including mining, construction, telecommunications and industrial manufacturing), which assists to reduce risk associated with single sector concentration.

Damstra's client base has grown at an approximate 44% CAGR from approximately 125,000 licences as at 31 July 2016 to approximately 265,000 licences as at 31 July 2018, and then to over 330,000 registered licences as at 30 June 2019, as show in Figure 14.

Figure 14: Growth of users



We recently entered into a contract with Newmont Goldcorp, one of the world's largest gold mining companies. Newmont Goldcorp will be using Damstra's workforce management, access control and learning management solutions across various sites including Australia, Africa, South America and the United States. Damstra is currently providing services to Newmont Goldcorp at two sites (and expects to commence providing services in respect of a third site shortly).

In addition, our client base continues to evolve and grow with our geographic expansion, product feature innovation and strategic acquisitions. As at 30 June 2019, we had over 240,000 Damstra licences derived from a total of more than 200 clients. The remaining approximate 90,000 licences, derived from a total of more than 150 clients, have been acquired with the purchase of businesses such as Velpic and EIFY. Those brands have been integrated into Damstra's single platform, providing extended product capability as well as client pipeline to the business.

[27] Such contracts contain termination for convenience rights in favour of the relevant counterparty.
[28] Certain of these contracts contain options to renew exercisable by Damstra.

3.8. GROWTH PLANS

3.8.1 Key pillars of our growth strategy

Our growth strategy is based on six key components as outlined in Figure 15.

Figure 15: Key pillars of Damstra's growth strategy

1 More usage by existing clients	2 New clients in global markets	3 Greenfield opportunities	4 Innovation	5 Monetise Data	6 M&A
New modules, more sites, more users, more geographies	**New customers, new projects, new global markets**	**New customer wins**	**Advance products**	**Further insights**	**Acquisitions**
Natural growth as customers add users (e.g. due to starting new projects), expand into new modules, increase the number of sites on which our technology is deployed and grow revenue per user	Near-term vision is focused on accelerated international expansion strategy with a pipeline of global opportunities	Targeting increased penetration through winning new clients from competitors, or as a result of new clients who have not previously or do not currently use an automated or software-based workforce management solution	Suite of product development activities in response to high-demand offerings such as voice control, paperless human capital management, mobile facial recognition and further insights through data	Potential to monetise the significant (and growing) collection of workforce data; provide real-time/ predictive insights about a workplace to improve efficiency and reduce risks on site	Focus on building a single platform. Acquire companies to accelerate entry into new markets, build adjacencies and consolidate markets. Clients acquired have been retained with high rates of success

1. **More usage by existing clients:** the scalability of our platform enables clients to increase their use of our solution as their businesses grow and they take advantage of additional functions. Once on our platform, the opportunity to grow with global organisations can be significant as their operations may span across many functions and countries. We plan to grow the use of our software as our existing clients grow, which is expected to add more users, expand usage into new modules, increase number of sites deployed and grow revenue over time. We also plan to retain clients who currently use other providers with solutions offered on our platform. For example, we have experienced this with CPB Contractors who expanded from solely using our workforce management solution, and have more recently added learning management products.
2. **New clients in global markets:** our near-term vision is focused on accelerated international expansion, and we have a pipeline of global opportunities. Our expansion strategy has proved successful in winning new clients in the past, from small-to-medium regional providers through to large multi-region logistics service providers, and we intend to continue these strategies going forward to win new clients. The North American market is a current key priority for Damstra. Having opened an office in Denver in December 2017, which is regarded as the mining and manufacturing centre in North America, we have had success with Newmont Goldcorp where we will implement our solutions to various sites.
3. **Greenfield opportunities:** we are targeting increased penetration through winning new clients from competitors, or as a result of new clients who have not previously or do not currently use a SaaS-based workplace management solution. Damstra currently has less than 1% market share of its addressable market. We plan to accelerate our market penetration by increasing investment into sales and marketing capabilities and initiatives to drive lead generation and new client wins.
4. **Innovation:** our strategy is to expand and advance our product offerings including voice control, paperless human capital management, mobile facial recognition and further insights through data. In FY2019, we invested 15.7% of our revenues in product development and innovation. We will continue to regularly upgrade and expand our platform to broaden our product offering and expand our addressable market. These include product expansions (e.g. facial recognition), new products (e.g. paperless workflow) and improving client usability (e.g. enhanced mobile applications).
5. **Monetise data:** our database of workplace and workforce data has the potential to be monetised to provide real time and predictive insights about an organisation's workplace to improve efficiency and reduce risks on site. There is also opportunity to utilise the significant amount of data collected across various industries and workforce sizes to provide insights for individual business that would otherwise have no or limited ability to utilise this for making key business decisions.

6. **M&A:** our core focus and strategy has always been our integrated one-platform solution and our acquisitions are also based on this. We make strategic acquisitions to buy into new markets, build adjacencies and consolidate markets. Clients acquired are retained with high rates of success. An example of this is our acquisition of EIFY whereby upon acquisition, we were able to retain 100% of clients. Another focus of our acquisitions is for intelligence of new product modules we currently do not offer to allow us to offer our clients a more comprehensive range of solutions and expand our addressable market. We ensure that these new product modules are integrated into our platform.

In addition to new client revenues included in the FY2020 forecast (on the basis set out in Section 4.7.2.2), we are currently in discussions with existing and prospective clients in relation to variations of existing contracts, or new contracts, which have the potential to change the volume of usage of our solution (subject to reaching agreement on commercial terms and finalising relevant legal documentation). While this may result in a change in revenue in the forecast period, at present there is not a sufficiently reasonable basis for quantifying the impact of any such change.

3.8.2 Acquisition strategy and process

As described above, acquisitions have been a part of our growth strategy and we expect that to continue. When considering acquisitions, we look for strategic alignment characteristics including:

- new geographies or countries, particularly in North America and Europe;
- new, complex, adjacent competencies that allow us to acquire specialist market knowledge to support product development;
- innovative research, products or pipeline;
- source code integration, where we can implement software into our one platform;
- where we believe that the likely time to penetrate by building organically will be long, or involve high cost and/or high risk as result of existing competition;
- opening new client cross-sell opportunities; or
- whether dominant providers are already strongly entrenched.

We have a strong focus on integrating acquisitions into a core platform using single source code (see Section 3.5). We look to add new products, modules and features to advance functionality of the platform, but emphasise to never venture away from it. Acquisitions have not been made only from a financial perspective, but also from an operational and strategic perspective.

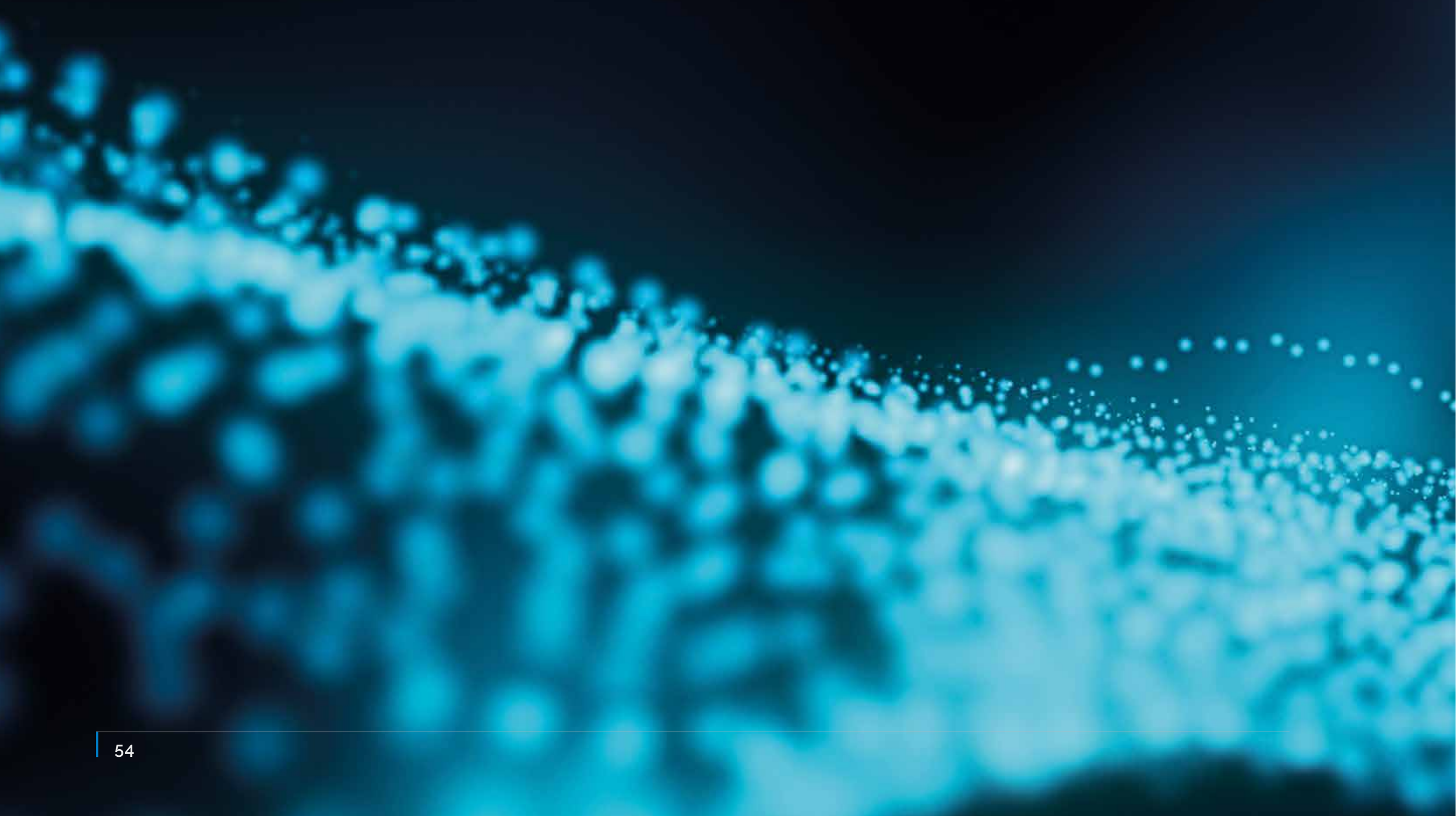
Table 7 provides an overview of strategic acquisitions that we have completed in the last two years.

Table 7: Recent acquisitions

COMPANY	COUNTRY	KEY SOLUTION	ACQUISITION RATIONALE
EIFY	Australia	Workforce management, asset management and HSE management integrated with access control for the construction industry	New clients New product capability Exposure to construction industry
Velpic	Australia	Learning management solution including video content creation, eLearning course scheduling and management, training needs analysis, reporting and course creation	New product capability Cross-sell opportunity New clients Mid-market opportunity
WMS	Australia	OHS and risk management solution including OHS management, risk management, environmental management, audit and reporting	New product capability
safeStax	Australia	Web-based safety management system, swipe card technology integration with safety records management, risk management and site access	New clients

4

FINANCIAL INFORMATION



4 FINANCIAL INFORMATION

4.1. INTRODUCTION

The financial information contained in this Section 4 relates to the consolidated financial performance and cash flows for the 12 month periods ended 30 June 2017 ("**FY2017**"), 30 June 2018 ("**FY2018**") and 30 June 2019 ("**FY2019**") (respectively), the consolidated financial position as at 30 June 2019 and the forecast consolidated financial performance and cash flows for the 12-month period ending 30 June 2020 ("**FY2020**").

The statutory historical financial information comprises the:

- statutory historical consolidated statement of financial position as at 30 June 2019;
- statutory historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively); and
- statutory historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 (respectively),

(together, "**Statutory Historical Financial Information**").

The pro forma historical financial information comprises the:

- pro forma historical consolidated statement of financial position as at 30 June 2019;
- pro forma historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively); and
- pro forma historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 (respectively),

(together, "**Pro Forma Historical Financial Information**").

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the "**Historical Financial Information**".

The statutory forecast financial information comprises the:

- statutory forecast consolidated statement of financial performance for FY2020; and
- statutory forecast consolidated statement of cash flows for FY2020,

(together, "**Statutory Forecast Financial Information**").

The pro forma forecast financial information comprises the:

- pro forma forecast consolidated statement of financial performance for FY2020; and
- pro forma forecast consolidated statement of cash flows for FY2020,

(together, "**Pro Forma Forecast Financial Information**").

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the "**Forecast Financial Information**".

The Historical Financial Information and Forecast Financial Information together form the "**Financial Information**".

The Financial Information has been reviewed in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information by PricewaterhouseCoopers Securities Ltd, whose Independent Limited Assurance Report is contained in Section 8. Investors should note the scope and limitations of this report (refer to Section 8).

The information in this Section 4 should be read in conjunction with the key risks set out in Section 5 and the other information contained in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1m. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information and explanation of certain non-statutory financial information (Section 4.2);
- a description of the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Financial Information and reconciliations between the Statutory Historical Financial Information and Statutory Forecast Financial Information and the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (respectively) (Sections 4.3 and 4.5);

- a summary of Damstra's indebtedness and a description of the existing debt facilities that will remain in place at Completion of the Offer (Section 4.4);
- assumptions underlying the Forecast Financial Information (Section 4.7);
- management discussion and analysis of the Financial Information (Section 4.8);
- key sensitivities in respect of the Forecast Financial Information (Section 4.9); and
- Damstra's proposed dividend policy (Section 4.10).

4.2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1. Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding:

- the historical financial performance, cash flows and financial position of Damstra; and
- the forecast financial information to provide an indication of the future prospects of Damstra.

The Financial Information has been prepared on a going concern basis.

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

The Statutory Historical Financial Information and Statutory Forecast Financial Information has been prepared in accordance with the recognition and measurement principles specified in the AAS (including the Australian Accounting Interpretations) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB. The recognition and measurement bases are more fully described in the accounting policies set out in Appendix A.

Other than with respect to the new accounting standards discussed in Section 4.2.4, Damstra's accounting policies have been consistently applied throughout the financial periods presented.

This Prospectus also includes Forecast Financial Information, which is based on numerous general and specific assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. Other than with respect to the new accounting standards discussed in Section 4.2.4, the basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation of the Historical Financial Information.

The new accounting standard AASB 16 *Leases*, which will be applied with respect to financial reporting periods beginning on or after 1 January 2019, has been issued, but had not taken effect in any of the financial periods to which the Historical Financial Information relates. This accounting standard will be adopted by Damstra at the date of mandatory adoption.

Damstra will apply AASB 16 *Leases* prospectively effective from FY2020. As a result, the Statutory Forecast Financial Information shows the impact of that new standard but the Historical Financial Information and Pro Forma Forecast Financial Information does not. The effect of AASB 16 *Leases* is discussed below in Sections 4.2.4 and 4.4.1.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information adjusted for certain transactions and pro forma adjustments as described further below. It has been prepared solely for inclusion in this Prospectus and in accordance with the recognition and measurement principles specified in AAS, as described above, and it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 1 July 2016 in the case of the consolidated statements of financial performance and consolidated statements of cash flows, and as at 30 June 2019 in the case of the consolidated statement of financial position.

The Pro Forma Forecast Financial Information has been prepared in accordance with the recognition and measurement principles specified in AAS, other than it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 1 July 2019.

Due to the nature of the Pro Forma Forecast Financial Information, it does not represent Damstra's actual or prospective financial performance or cash flows.

The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

4.2.2. Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been derived from the audited financial statements of the Company and its controlled entities for FY2017, FY2018 and FY2019.

These financial statements were audited by the Company's previous auditor for FY2017 and FY2018 and by PricewaterhouseCoopers ("**PwC**") for FY2019 in accordance with Australian Auditing Standards. The relevant auditors have issued unqualified audit opinions on these financial statements.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information reflects the impact of adjustments described further in Section 4.3, in order to reflect:

- public company costs associated with being a listed entity as if they were incurred from 1 July 2016;
- the removal of finance costs associated with the component of Damstra's drawn Banking Facilities and other loan balances which will be repaid from Offer proceeds;
- the impact of AASB 15 *Revenue from Contracts with Customers* which came into effect from FY2019 as if it had been applied from 1 July 2016 (refer Section 4.2.4);
- an adjustment to replace share-based payment expenses associated with Share issues made in lieu of Director fees with the Director fees to be paid in cash effective from FY2020;
- the removal of certain amounts of other income and expenses considered to be non-recurring such as gains recognised on the settlement of loans, gains recognised on the sale of investments in listed equities and costs related to acquisitions;
- the apportionment of R&D incentive income recognised in FY2019 to the years to which it related (both FY2018 and FY2019); and
- the income tax effect of the applicable pro forma adjustments above.

Damstra made the following acquisitions during the period of the Historical Financial Information:

- certain assets of the safeSTAX business ("**safeSTAX**") were acquired from SGS Australia Pty Limited and SGS Group Management SA on 28 February 2017;
- certain assets of Worksafe Management Systems Pty Limited ("**WMS**") were acquired on 17 December 2017;
- the shares of EIFY Pty Ltd ("**EIFY**") were acquired with an effective control date of 1 August 2018; and
- certain assets of VPCL Ltd and VPCA Pty Ltd (together, "**Velpic**") were acquired on 1 October 2018,

(together, the "**Acquisitions**").

The Pro Forma Historical Financial Information does not include an adjustment to include the results of the Acquisitions as if these assets and businesses had been owned from the start of FY2017 and throughout all periods of the Historical Financial Information due to a lack of historical audited financial information for these assets and businesses. The Acquisitions contribute to the year-on-year growth described in the management discussion and analysis in Section 4.8. The pro forma historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 have been adjusted for payments related to the Acquisitions. Investors should note that past results are not a guarantee of future performance.

4.2.3. Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and has been prepared based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the specific assumptions set out in Section 4.7.

The Directors are satisfied that the Forecast Financial Information has been prepared with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, by their nature, forecasts are predictive (and not fact) and so investors should not place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the Directors' best estimate of general and specific assumptions set out in Section 4.7. This information is intended to assist investors in assessing the reasonableness and likelihood of assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Damstra's actual financial performance, cash flow or financial position. Accordingly, neither Damstra nor any other person can give investors any assurance that the outcomes presented in the Forecast Financial Information will occur.

Potential investors are advised to review the assumptions set out in Section 4.7 in conjunction with the accounting policies included in Appendix A, the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and other information set out in this Prospectus.

The forecast consolidated statement of financial performance and consolidated statement of cash flows for FY2020 have been prepared on a pro forma and a statutory basis and reflect a 12-month forecast. The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information adjusted for pro forma adjustments to reflect the full-year impact of the changes resulting from the Completion of the Offer as if it had occurred before 1 July 2019.

The Pro Forma Forecast Financial Information reflects the impact of adjustments described further in Sections 4.3 and 4.5 in order to reflect:

- public company costs associated with being a listed entity;
- the impact of the Offer, including proceeds from the Offer and impact of the debt repayment on finance cost;
- the exclusion of transaction-related expenses;
- an adjustment to reflect the removal of the impact of AASB 16 *Leases* which becomes effective for FY2020 (see Section 4.2.4 for more information about that accounting standard and such impact). This adjustment has been made to enable a comparison of the pro forma results for FY2017, FY2018, FY2019 and FY2020 applying a consistent accounting policy with regard to leases; and
- the income tax effect of the applicable pro forma adjustments above.

Damstra has no intention to update or revise the Forecast Financial Information or other forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required to by law.

4.2.4. Changes in accounting policies or standards

The following new accounting standards applied to Damstra's financial reports in FY2019 or will apply to Damstra's future financial reports and have been reflected in the Financial Information in the manner discussed below.

AASB 9 *Financial Instruments*

Australian Accounting Standard AASB 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and liabilities, sets out new rules for hedge accounting and introduces a new impairment model. This standard is applicable for annual reporting periods beginning on or after 1 January 2018.

Damstra has adopted the new standard on the required effective date of 1 July 2018 and it will not restate comparative information to reflect its effect. Applying the classification and measurement requirements of AASB 9 *Financial Instruments* has not had a material impact on the consolidated statement of financial position.

AASB 9 *Financial Instruments* requires Damstra to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The adoption of AASB 9 *Financial Instruments* has not resulted in any significant increases in expected loss allowances.

The new hedge accounting requirements of AASB 9 *Financial Instruments* have not had a material effect on Damstra's consolidated financial statements as Damstra does not apply hedge accounting.

The pro forma historical consolidated statements of financial performance for FY2017 and FY2018 have not been adjusted to reflect the impact of AASB 9 *Financial Instruments*.

AASB 15 *Revenue from Contracts with Customers*

Damstra has adopted and applied Australian Accounting Standard AASB 15 *Revenue* from *Contracts with Customers* on and from the required effective date of 1 July 2018.

Up until 30 June 2018, Damstra reported revenue and costs associated with customer contracts under AASB 118 *Revenue*, and revenue from the provision of software services was recognised at the time the service was made available to the customer and incremental costs of obtaining contracts with customers were recognised as an expense in the period in which they were incurred.

From 1 July 2018, revenue from the provision of software services is recognised over time as the services are delivered over the contractual term and the incremental costs of obtaining contracts with customers are recognised as an asset and amortised over the life of the contract.

In order to enable investors to compare the pro forma results for FY2017, FY2018, FY2019 and FY2020, the pro forma historical consolidated statements of financial performance for FY2017 and FY2018 include a pro forma adjustment to reflect the impact of AASB 15 *Revenue from Contracts with Customers* as if it had been applied from 1 July 2016.

AASB 16 *Leases*

Australian Accounting Standard AASB 16 *Leases* must be adopted with respect to all annual reporting periods beginning on or after 1 January 2019 and represents a significant change to how lessees account for operating leases.

Damstra leases a number of properties which are treated as operating leases and have not previously been recognised as an asset on Damstra's consolidated statement of financial position. As summarised in Section 4.4.1, the adoption of AASB 16 *Leases* is expected to result in the recognition of right-of-use assets and corresponding lease liabilities on Damstra's consolidated statement of financial position being the present value of lease commitments. The impact on the consolidated statement of financial performance is expected to be a reduction in occupancy-related expenses (recognised within EBITDA) and an increase in both depreciation (of right of use assets) and finance costs (associated with the lease liabilities).

Damstra expects to adopt AASB 16 *Leases* prospectively with effect from the commencement of the FY2020 reporting period. Accordingly, the Statutory Forecast Financial Information in this Prospectus takes into account the expected impact of this accounting standard.

In order to enable investors to compare the forecast results with the pro forma historical results, the pro forma forecast consolidated statement of financial performance for FY2020 includes a pro forma adjustment to reverse the forecast effect of applying AASB 16 *Leases* (refer Section 4.4.1).

4.2.5. Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Damstra and that are believed to be reasonable under the circumstances.

Damstra makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the significant accounting policies of Damstra set out in Appendix A.

The areas involving significant estimates and assumptions include impairment of goodwill, estimated fair value of certain assets or liabilities acquired in a business combination, including goodwill and intangible assets and estimated fair value of share-based payments. Refer to the significant accounting policies of Damstra set out in Appendix A for further information.

4.2.6. Explanation of certain non-IFRS and other financial measures

Damstra uses certain information, measures and ratios to manage and report on performance which are prepared on a basis that is not in accordance with all relevant accounting standards ("**Non-Statutory Information**"). This Non-Statutory Information may exclude certain transactions, or present transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards. These measures do not have prescribed definitions and therefore may not be directly comparable to similarly titled measures presented by other entities.

Damstra discloses the following Non-Statutory Information in this Prospectus as follows:

- **recurring revenue** is the sum of revenue categorised as licence fees and hardware on Damstra's statements of financial performance. This reflects revenue generated from the sale of software subscriptions and monthly payments for hardware components from Damstra's clients. Although Damstra's clients generally do not have fixed volume commitments in their contracts, experience is that these contracts generate revenue with a high degree of consistency from period to period. This characterisation is supported by the low client churn rates experienced, and the consistent revenue growth over the period of the Historical Financial Information;
- **EBITDA** is earnings before interest (net finance cost), taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and taxation. Management uses EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Damstra's operations;
- **EBIT** is earnings before interest (net finance cost) and taxation;
- **working capital** is trade and other receivables plus costs to fulfil contracts plus other current assets less trade and other payables less contract liabilities less provisions less other current liabilities;
- **indebtedness** is gross borrowings less cash and cash equivalents;
- **net operating cash flow** is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses), changes in working capital, net finance cost and income tax received/paid. Operating cash flow conversion ratio is operating cash flow divided by EBITDA and expressed as a percentage. Operating cash flow and operating cash flow conversion ratio are used as measures to indicate the level of operating cash flow generated from EBITDA;
- **net investing cash flow** is net cash spent on capital expenditure, other non-current assets/intangible assets, payments for acquisition of subsidiaries, payments for acquisition of business less proceeds from sales of property, plant and equipment; and
- **free cash flow** is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses) and changes in working capital, less capitalised development cost and other capital expenditure. Free cash flow and free cash flow conversion ratio are used as measures of the net cash generated before tax, interest and other investing cash flows.

Although the Directors believe that these measures provide useful information about Damstra's financial performance, they should be considered as supplements to the measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, IFRS, or any other recognised body of accounting standards, they do not have prescribed definitions, and the way Damstra calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

4.3. PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

Table 8 sets out the pro forma historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively), the pro forma forecast consolidated statement of financial performance for FY2020 and the statutory forecast consolidated statement of financial performance for FY2020.

The pro forma forecast consolidated statement of financial performance for FY2020 and statutory forecast consolidated statement of financial performance for FY2020 are subject to the general and specific assumptions underlying the Forecast Financial Information (see Section 4.7).

Table 8: Pro forma historical and forecast consolidated statements of financial performance

		HISTORICAL RESULTS			FORECAST	
A$ million	Notes	FY2017	FY2018	FY2019	FY2020 Pro forma	FY2020 Statutory
Licence fees		5.8	7.9	11.8	14.8	14.8
Hardware		1.2	1.4	2.0	4.9	4.9
Other		1.3	1.2	1.5	1.7	1.7
Total revenue		**8.2**	**10.5**	**15.3**	**21.3**	**21.3**
Growth (%)			*27.6%*	*45.7%*	*39.4%*	*39.4%*
Cost of sales		(1.8)	(3.1)	(6.4)	(6.6)	(6.6)
Gross profit		**6.4**	**7.4**	**8.9**	**14.7**	**14.7**
Gross profit margin (%)		*78.1%*	*70.7%*	*58.2%*	*69.0%*	*69.0%*
Other income		0.0	0.2	0.5	–	0.1
Research and development		(0.4)	(0.4)	(0.4)	(1.0)	(1.0)
Sales and marketing		(1.2)	(2.7)	(3.9)	(4.1)	(4.1)
General and administration		(1.8)	(2.1)	(3.9)	(5.3)	(4.8)
Offer costs		–	–	–	–	(5.8)
EBITDA before significant items		3.0	2.4	1.3	4.3	(0.7)
Margin (%)		*36.8%*	*23.1%*	*8.2%*	*20.3%*	*(3.5%)*
Significant items	1	(0.4)	(3.1)	–	–	–
EBITDA after significant items		2.6	(0.7)	1.3	4.3	(0.7)
Depreciation		(0.6)	(0.7)	(1.2)	(1.8)	(2.0)
Amortisation	2	(1.0)	(1.4)	(2.9)	(3.3)	(3.3)
EBIT		**1.0**	**(2.9)**	**(2.8)**	**(0.7)**	**(6.1)**
Net finance cost	3	(0.1)	(0.0)	(0.2)	0.0	(0.3)
Profit/(loss) before income tax		0.9	(2.9)	(3.0)	(0.7)	(6.4)
Income tax (expense)/benefit	4	(0.3)	0.2	(0.1)	0.0	1.6
NPAT		**0.6**	**(2.6)**	**(3.1)**	**(0.6)**	**(4.8)**

Notes:

1. Significant items in FY2017 and FY2018 reflect share-based payment expenses related to Share issues made to five employees. The Shares were issued with no vesting conditions following the initial acquisition of Damstra from Programmed Maintenance Services Limited in FY2016 and are considered significant items as they relate to non-cash incentives granted in order to retain key staff post the acquisition. An equity incentive plan has subsequently been implemented (refer Section 6.3) and the Forecast Financial Information for FY2020 includes an expense of $1.1m related to this plan.
2. Amortisation reflects the amortisation of acquired customer contracts and software assets, amortisation of capitalised development and software costs and amortisation of incremental costs of obtaining contracts with customers.
3. Pro forma net finance cost includes interest income on cash balances and interest expense on the Leasing Facility. Pro forma finance cost excludes interest expense on drawn debt under the Working Capital Facility and the Acquisition Facility, interest expense on Convertible Notes, the unwinding of the discount applied to calculate the present value of the contingent consideration in respect of the Velpic acquisition, and the interest expense on deferred consideration in relation to the EIFY acquisition. All these amounts will be settled on Completion of the Offer.
4. Tax expense represents taxable profit at the tax rates relevant to the jurisdictions in which Damstra operates. Taxable profit includes adjustments that result in the effective tax rate being higher than 27.5% such as adjustments for share-based payments and expenditure that is eligible for the R&D tax incentive.

4.3.1. Pro forma adjustments to statutory historical and forecast statements of financial performance

Table 9 sets out the pro forma adjustments that have been made to revenue, EBITDA and NPAT in the historical and forecast periods.

Table 9: Pro forma adjustments to statutory historical and forecast statements of financial performance

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
Statutory revenue		9.3	11.1	15.3	21.3
Impact of AASB 15 – *revenue*	1	(1.1)	(0.6)	–	–
Pro forma revenue		**8.2**	**10.5**	**15.3**	**21.3**
Statutory EBITDA after significant items		**4.0**	**(1.6)**	**1.5**	**(0.7)**
Impact of AASB 15 – *revenue*	1	(1.1)	(0.6)	–	–
Impact of AASB 15 – *contract costs*	2	0.1	0.3	–	–
Impact of AASB 16 – *leases*	3	–	–	–	(0.4)
Acquisition costs	4	–	–	0.3	–
Other income	5	(0.3)	(0.2)	–	(0.1)
Offer costs expensed	6	–	–	–	5.8
Incremental public company costs	7	(0.6)	(0.6)	(0.6)	(0.2)
Director fees	8	0.4	1.8	0.2	–
R&D incentive	9	–	0.2	(0.2)	–
Total pro forma adjustments		**(1.4)**	**0.9**	**(0.3)**	**5.1**
Pro forma EBITDA after significant items		**2.6**	**(0.7)**	**1.3**	**4.3**
Statutory NPAT		**1.4**	**(3.8)**	**(3.7)**	**(4.8)**
Impact of AASB 15 – *revenue*	1	(1.1)	(0.6)	–	–
Impact of AASB 15 – *contract* costs	2	0.1	0.2	–	–
Impact of AASB 16 – *leases*	3	–	–	–	(0.1)
Acquisition costs	4	–	–	0.3	–
Other income	5	(0.3)	(0.2)	–	(0.1)
Offer costs expensed	6	–	–	–	5.8
Incremental public company costs	7	(0.6)	(0.6)	(0.6)	(0.2)
Director fees	8	0.4	1.8	0.2	–
R&D incentive	9	–	0.2	(0.2)	–
Net finance costs	10	0.0	0.0	0.9	0.3
Tax impact of pro forma adjustments	11	0.5	0.4	(0.0)	(1.6)
Total pro forma adjustments		**(0.9)**	**1.2**	**0.6**	**4.1**
Pro forma NPAT		**0.6**	**(2.6)**	**(3.1)**	**(0.6)**

Notes:

1. Adjustment to reflect the impact on revenue of AASB 15 *Revenue from Contracts with Customers* as if it had been applied from 1 July 2016. Damstra has adopted and applied the new standard on and from the required effective date of 1 July 2018. Up until 30 June 2018, Damstra reported revenue and costs associated with client contracts under AASB 118 *Revenue*, and revenue from the issuing of licences was recognised at the time the licence was issued and incremental costs of obtaining contracts with customers were recognised as an expense in the period in which they were incurred. From 1 July 2018, revenue from the issuing of licences is recognised on a straight-line basis over the term of the licence and the incremental costs of obtaining contracts with customers are recognised as an asset and amortised over the life of the contract.
2. Adjustment to reflect the impact on expenses of AASB 15 *Revenue from Contracts with Customers* as if it had been applied from 1 July 2016 as described above.
3. Removal of the impact on the FY2020 statutory forecast results of AASB 16 *Leases* which becomes effective for FY2020, and is discussed further in Section 4.4.1. This is to enable a comparison of the pro forma results for all periods applying a consistent accounting policy with regard to leases.
4. Adjustment to remove stamp duty and redundancy costs incurred in connection with the acquisitions of EIFY and Velpic.
5. Adjustments to remove a gain recognised on the repayment of a deferred consideration (FY2017), a gain recognised on the disposal of an investment in listed equities (FY2018) and a gain on the early repayment of contingent consideration for the Velpic acquisition (FY2020). These are considered to be non-recurring items.
6. Total expenses of the Offer are estimated at $7.3m of which $5.8m will be expensed in the FY2020 statutory forecast, inclusive of non-recoverable GST and $1.5m will be netted against share capital issued.
7. Reflects Damstra's estimate of the incremental annual costs that will be incurred as a listed public company. These costs include additional Non-Executive Director remuneration, additional audit fees, listing fees, share registry costs, increased Directors' and officers' insurance premiums as well as annual general meeting and annual report costs. The FY2020 adjustment relates to the three-month period prior to Completion of the Offer.
8. Adjustment to remove the non-cash share-based payment expense associated with Share issues made to certain Directors in FY2017 and FY2018 in lieu of Director fees and replace them with the Director fees that apply for those Directors in FY2020.
9. Adjustment to reallocate other income that was recognised in FY2019 in relation to R&D tax incentives related to expenditure incurred in FY2018. Other income was booked in FY2019 that relates to an R&D tax incentive claim that relates to FY2018 and FY2019 expenditure.
10. Adjustment removes the interest paid on certain borrowings during the relevant historical periods to reflect the repayment of those borrowings with proceeds from the Offer. The adjustment also removes the interest cost of the unwind of contingent consideration liabilities in relation to the Velpic acquisition and the interest cost of a deferred consideration liability related to the EIFY acquisition as both these liabilities will be repaid with proceeds from the Offer. The adjustment also removes the interest cost of the Convertible Notes that will convert to Shares as part of the Offer.
11. The tax impact attributable to all relevant adjustments has been calculated using an effective tax rate of 27.5%.

4.3.2. Key operating and financial metrics

Table 10 summarises Damstra's key pro forma historical operating and financial metrics for FY2017, FY2018 and FY2019 (respectively), and Damstra's key pro forma forecast operating and financial metrics for FY2020.

Table 10: Key operating and financial metrics

		HISTORICAL RESULTS			FORECAST
	Notes	FY2017	FY2018	FY2019	FY2020
Licence fee revenue growth (%)		n.a.	37.4%	49.3%	24.9%
Hardware revenue % of total revenue		14.7%	13.2%	13.1%	22.9%
Gross profit as a % of total revenue		78.1%	70.7%	58.2%	69.0%
Gross profit as a % of licence fee and other revenue		91.6%	81.4%	67.0%	89.5%
Research and development cash spend ($m)		(1.5)	(1.2)	(2.4)	(2.2)
Research and development spend % of revenue	1	18.2%	11.0%	15.7%	10.3%
EBITDA margin before significant items (%)	2	36.8%	23.1%	8.2%	20.3%
EBITDA margin after significant items (%)	2	31.7%	(6.8%)	8.2%	20.3%
Closing number of licences		132,217	171,184	331,419	415,823

Notes:

1. Total research and development cash spend is calculated as the sum of R&D expense as per the pro forma consolidated statements of financial performance and capitalised development costs (payments for other non-current assets/intangible assets) per the pro forma consolidated statements of cash flows.
2. Refer to definitions in Section 4.2.6.

4.3.3. Statutory historical consolidated statements of financial performance

Table 11 sets out the statutory historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively). Damstra's audited financial statements present revenue in total and do not disclose cost of sales separately. The statutory historical consolidated statements of financial performance in Table 11 have been presented based on functional categories consistent with the pro forma consolidated statements of financial performance presented in Section 4.3.

Table 11: Statutory historical consolidated statements of financial performance

	HISTORICAL RESULTS		
A$ in millions	FY2017	FY2018	FY2019
Licence fees	6.8	8.5	11.8
Hardware	1.2	1.4	2.0
Other	1.3	1.2	1.5
Total revenue	**9.3**	**11.1**	**15.3**
Cost of sales	(1.8)	(3.1)	(6.4)
Gross profit	**7.5**	**8.0**	**8.9**
Other income	0.3	0.2	0.7
Research and development	(0.5)	(0.7)	(0.6)
Sales and marketing	(1.2)	(2.7)	(3.9)
General and administration	(2.1)	(6.4)	(3.6)
EBITDA after significant items	**4.0**	**(1.6)**	**1.5**
Depreciation	(0.6)	(0.7)	(1.2)
Amortisation	(1.0)	(1.3)	(2.9)
EBIT	**2.4**	**(3.6)**	**(2.6)**
Finance cost (net)	(0.1)	(0.0)	(1.0)
Profit/(loss) before tax	**2.3**	**(3.7)**	**(3.6)**
Income tax (expenses)/benefit	(0.9)	(0.1)	(0.1)
Profit/(loss) for the year	**1.4**	**(3.8)**	**(3.7)**

Notes:

1. FY2017 and FY2018 are not directly comparable to FY2019 due to the adoption of AASB 15 *Revenue from Contracts with Customers* from FY2019.

4.4. STATUTORY AND PRO FORMA HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 12 sets out the statutory historical consolidated statement of financial position as at 30 June 2019, and the adjustments that have been made to derive the pro forma historical consolidated statement of financial position. These adjustments reflect the impact of the operating structure that will be in place at Completion of the Offer as if the Offer had occurred as at 30 June 2019. The pro forma historical consolidated statement of financial position is therefore provided for illustrative purposes only and is not necessarily indicative of Damstra's view of its future financial position.

Further information on the sources and uses of funds of the Offer is contained in Section 7.1.

Table 12: Historical consolidated statement of financial position as at 30 June 2019

A$ IN MILLIONS	STATUTORY AS AT 30 JUNE 2019	NOTE 1: IMPACT OF OFFER	NOTE 2: REPAYMENT OF BORROWINGS	PRO FORMA AS AT 30 JUNE 2019
Cash and cash equivalents	0.3	29.6	(11.3)	18.6
Trade and other receivables	3.6	–	(0.3)	3.3
Other current assets	0.8	(0.4)	–	0.5
Costs to fulfil contracts (current)	0.2	–	–	0.2
Current tax receivable	0.6	–	–	0.6
Current assets	**5.5**	**29.2**	**(11.6)**	**23.2**
Property, plant and equipment	4.8	–	–	4.8
Intangible assets	21.5	–	–	21.5
Deferred tax assets/(liabilities)	0.1	1.5	(0.0)	1.5
Costs to fulfil contracts (non-current)	0.4	–	–	0.4
Non-current assets	**26.8**	**1.5**	**(0.0)**	**28.2**
Total assets	**32.4**	**30.7**	**(11.7)**	**51.4**
Trade and other payables	(5.6)	0.4	2.3	(3.0)
Borrowings	(10.3)	5.9	2.9	(1.5)
Contract liabilities	(3.5)	–	–	(3.5)
Deferred income	(0.2)	–	–	(0.2)
Provisions	(1.9)	–	–	(1.9)
Current liabilities	**(21.5)**	**6.2**	**5.2**	**(10.0)**
Other payables	(1.3)	–	1.3	–
Borrowings	(7.2)	–	5.2	(2.0)
Contract liabilities	(0.6)	–	–	(0.6)
Deferred income	(0.4)	–	–	(0.4)
Non-current liabilities	**(9.5)**	**–**	**6.6**	**(3.0)**
Total liabilities	**(31.0)**	**6.2**	**11.8**	**(13.0)**
Net assets	**1.3**	**36.9**	**0.1**	**38.4**
Issued capital	2.5	39.8	–	42.3
Retained earnings	(7.6)	(4.7)	0.1	(12.2)
Reserves	6.3	1.9	–	8.2
Total equity	**1.3**	**36.9**	**0.1**	**38.4**

Notes:

1. Impact of the Offer: the Offer is assumed to raise gross proceeds of $35.0m. Offer raising costs are estimated to be $7.3m of which $5.8m is expensed ($4.7m after tax) with the remaining $1.5m ($1.1m after tax) netted against share capital issued. A deferred tax asset of $1.5m is recognised on the Offer costs. The Offer raising costs of $7.3m includes a non-cash expense of $1.9m related to an IPO bonus of share options and $0.1m related to the Employee Gift Offer. $0.4m of the Offer raising costs were included in trade and other payables as at 30 June 2019 with an offsetting balance in other current assets. Convertible Notes with a face value of $5.5m and accrued interest of $0.4m as at 30 June 2019 (included within current borrowings) will be converted to Shares as part of the Offer.
2. Repayment of borrowings: reflects the repayment of the Working Capital Facility and Acquisition Facility ($6.6m, see Section 4.4.4), the payment of contingent consideration in relation to the Velpic acquisition ($2.1m), the payment of contingent consideration in relation to the EIFY acquisition ($1.5m) and the repayment of a deferred consideration in relation to the EIFY acquisition ($1.5m), all of which will be repaid from the proceeds of the Offer. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million. The payment of the contingent consideration in relation to the Velpic acquisition results in a gain on settlement of $0.1m. An employee loan receivable of $0.3m will also be repaid prior to the Offer.

4.4.1. Accounting for leases and adoption of AASB 16 *Leases*

AASB 16 *Leases* represents a significant change for lessees in the accounting treatment of operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee's statement of financial position. Accordingly, lessees will have one accounting model for leases, which is similar to the current finance lease model in AASB 117 *Leases*.

As AASB 16 *Leases* comes into force for financial periods commencing on or after 1 January 2019, i.e. effective from the commencement of FY2020, the liability associated with the non-cancellable leases (refer Table 13) as at 30 June 2019 that would need to be recognised if AASB 16 *Leases* applied has not been shown on the pro forma historical consolidated statement of financial position.

Table 13: Lease commitments at 30 June 2019

A$ IN MILLIONS	NOTES	LESS THAN 1 YEAR	1 – 5 YEARS	MORE THAN 5 YEARS	TOTAL
Non-cancellable operating leases	1	0.4	0.4	0.1	0.9
Finance lease and hire purchase	2	1.6	2.1	–	3.8
Future finance charges	3	–	–	–	(0.3)
Total lease commitments					**4.4**

Notes:

1. As described in Section 4.2.4, with effect from the adoption of AASB 16 *Leases* on 1 July 2019, non-cancellable operating leases will be recognised on the consolidated statement of financial position.
2. Reflects the total present value of minimum lease and hire purchase payments.
3. Reflects finance charges included in the minimum lease payments not yet accrued.

For illustration purposes, had the new accounting standard been in force, the pro forma historical consolidated statement of financial position at 30 June 2019 would have reflected the following impacts:

- a liability amounting to the present value of the total assumed lease commitments (i.e. assuming option renewal where reasonably certain to be exercised) of $1.1m would be recorded on the consolidated statement of financial position;
- associated rights-of-use assets (being a subset of property, plant and equipment) of $1.0m would be recognised in relation to our existing operating leases. Further rights-of-use assets would be recognised in relation to finance leases however the related assets are already included with property, plant and equipment; and
- the net impact on net assets and retained earnings on 30 June 2019 would be $(0.1)m.

4.4.2. Cash and working capital

Following Completion of the Offer, on a pro forma basis at 30 June 2019, Damstra is expected to have approximately $18.6m cash on its consolidated statement of financial position. Following Completion, principal sources of funds are expected to be cash flow generated from operations and cash on hand. The main use of cash is to fund operations and support global growth initiatives including acquisitions. Historical and forecast capital expenditure and working capital trends are described in Sections 4.8.4 to 4.8.6. Damstra expects that the business will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period.

Damstra will maintain the Banking Facilities (as described in Section 4.4.4) on Completion and may draw down on these facilities or reduce the cash on hand to meet business needs as and when required, including to fund future acquisitions. The ability to generate sufficient cash depends on Damstra's future performance. Quantitative and qualitative disclosures about market risk sensitive instruments are addressed in Sections 4.6 and 4.9.

4.4.3. Indebtedness

Table 14 sets out Damstra's net cash/(debt) position as at 30 June 2019, on a statutory basis (before Completion) and on a pro forma basis (at Completion).

Table 14: Indebtedness as at 30 June 2019

A$ IN MILLIONS	STATUTORY	PRO FORMA
Current borrowings – Bank Bill Business Loan	1.4	–
Current borrowings – Leasing Facility	1.5	1.5
Current borrowings – EIFY deferred consideration	1.5	–
Current borrowings – Convertible notes	5.9	–
Non-current borrowings – Bank Bill Business Loan	5.2	–
Non-current borrowings – Leasing Facility	2.0	2.0
Contingent acquisition consideration (recorded in payables)	3.7	–
Total borrowings	**21.2**	**3.5**
Cash	0.3	18.6
Net debt/(cash)	**20.9**	**(15.1)**

The Directors have adopted a gearing policy that maximum borrowings plus bank guarantees and insurance bonds less cash on the consolidated statement of financial position ("**Net Debt**") will not exceed 2.0x EBITDA.

Damstra expects to repay drawn borrowings under its Banking Facilities (excluding the Leasing Facility) on Completion and as a result will be in a net cash position. Net Debt at 30 June 2019 was $11.3m (excluding Convertible Notes and contingent acquisition consideration (which has been recorded in payables)), which represents 9.0x FY2019 pro forma EBITDA. Upon Completion of the Offer, Damstra expects to have a net cash balance of $15.1m.

4.4.4. Description of Banking Facilities

Damstra has existing revolving facilities ("**Banking Facilities**") totalling $11.6m with Westpac Banking Corporation. The Banking Facilities have a maturity date of October 2020.

The Banking Facilities comprise:

- **Facility 1:** $0.5m Bank Bill Business Loan with interest only repayments ("**Working Capital Facility**");
- **Facility 2:** $6.0m Bank Bill Business Loan with principal and interest repayments ("**Acquisition Facility**");
- **Facility 3:** $4.6m Revolving Leasing Facility with principal and interest repayments ("**Leasing Facility**"); and
- **Facility 4:** $0.5m Bank Guarantee Facility with a 2.5% p.a. fee charged semi-annually.

Facilities 1 and 2 have variable interest rates applying to cash advances based on a base rate, being the bank bill swap rate ("**BBSY**") for cash advances in Australian dollars, plus a margin which varies depending on the facility. Damstra is required to pay a customary undrawn commitment fee on any undrawn portion of Facility 1 or 2. As noted above, upon Completion of the Offer, Damstra intends to repay Facilities 1 and 2.

Facility 3 is subject to a fixed rate set at the time of drawdown for each individual contract. The drawn amount under Facility 3 will not be repaid with proceeds from the Offer. This facility provides for asset financing of the hardware provided to clients as part of Damstra's solution.

The Banking Facilities are subject to the following financial covenants which are tested semi-annually:

- debt service coverage to be more than 2.0x, calculated as EBITDA less income tax as a multiple of gross interest and principal repayments; and
- quasi capital ratio to be more than 30%, calculated as total assets excluding related party assets less total liabilities excluding related party liabilities as a percentage of total assets.

Each of the above ratios is as described in the Banking Facilities. EBITDA and other terms are defined in the Banking Facilities and are subject to a number of specific adjustments. These adjustments are not shown in this Prospectus and, as such, the actual covenant calculations will differ from those based on total debt and EBITDA as defined in this Prospectus.

The agreements under which the Banking Facilities are made available contain certain conditions precedents to drawdown, representations, warranties, undertakings and events of default which are customary for facilities of this nature. Any event of default may lead to the funds borrowed becoming due, the facilities being cancelled and the guarantees and security referred to above being enforced.

4.5. PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 15 sets out the pro forma historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 (respectively), the pro forma forecast consolidated statement of cash flows for FY2020 and the statutory forecast consolidated statement of cash flows for FY2020.

The pro forma forecast consolidated statement of cash flows for FY2020 and statutory forecast consolidated statement of cash flows for FY2020 are subject to the general and specific assumptions underlying the Forecast Financial Information (see Section 4.7).

Table 15: Pro forma historical and forecast consolidated statements of cash flows

		HISTORICAL RESULTS			FORECAST	
A$ million	Notes	FY2017	FY2018	FY2019	FY2020 Pro forma	FY2020 Statutory
EBITDA after significant items	1	2.6	(0.7)	1.3	4.3	(0.7)
Non-cash impact of share-based payments	2	0.4	3.1	0.3	0.5	2.5
Movement in working capital	3	1.7	(0.1)	(0.7)	2.3	1.5
Interest received		–	0.0	0.1	0.4	0.4
Finance costs paid		(0.0)	(0.0)	(0.3)	(0.3)	(0.5)
Income tax received/(paid)		0.2	(0.9)	(0.3)	(0.7)	(0.7)
Net cash flow operating activities		**4.9**	**1.5**	**0.3**	**6.6**	**2.4**
Purchase of property, plant and equipment		(0.5)	(1.7)	(3.8)	(4.4)	(4.4)
Payments for other non-current assets/intangible assets		(1.1)	(0.8)	(2.0)	(1.2)	(1.2)
Net repayment of loans by related parties	4	–	–	–	–	0.3
Payments of contingent consideration	5	–	–	–	–	(3.5)
Net cash flow investing activities		**(1.5)**	**(2.5)**	**(5.7)**	**(5.6)**	**(8.8)**
Net cash flow before financing activities and dividends		**3.3**	**(1.0)**	**(5.4)**	**0.9**	**(6.4)**
Repayment of borrowings	6				(2.4)	(10.5)
Proceeds from borrowings	7				4.4	4.4
Net proceeds from issue of Shares	8				–	33.5
Net cash flow financing activities					**2.1**	**27.4**
Net (decrease)/increase in cash and cash equivalent before dividends					**3.0**	**21.0**

Notes:

1. EBITDA in the table has been adjusted to reflect the pro forma adjustments to the statutory historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively) and statutory forecast consolidated statement of financial performance for FY2020 as set out in Section 4.3.
2. The non-cash expense associated with share-based payment expenses has been added back.
3. The key drivers of movements in working capital include movements in trade and other receivables and trade and other payables as well as changes in contract liabilities which arise when customers pay in advance. The movement in working capital in the pro forma FY2020 statutory and pro forma forecast includes $1.3 million from the receipt of R&D tax incentives. See Section 4.8.6 for more information on working capital.
4. The statutory forecast consolidated statement of financial performance for FY2020 assumes that a $0.3m Director loan receivable is repaid. These proceeds are excluded from the pro forma forecast.
5. The statutory forecast consolidated statement of financial performance for FY2020 assumes that contingent consideration of $2.1m on the Velpic acquisition and $1.5m of contingent consideration on the EIFY acquisition are paid from the Offer proceeds. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million. These are excluded from the pro forma forecast.
6. The statutory forecast consolidated statement of financial performance for FY2020 assumes that bank debt of $6.6m and a $1.5m deferred consideration liability in relation to the EIFY acquisition are repaid from the Offer proceeds. These are excluded from the pro forma forecast.
7. All forecast capital expenditure in FY2020 is assumed to be funded from the drawdown of the Leasing Facility.
8. The net proceeds from the issue of Shares reflect gross proceeds raised ($35.0m), net of the costs of the Offer capitalised in equity ($1.5m).

4.5.1. Pro forma adjustments to statutory historical and forecast statements of cash flows

Table 16 contains a reconciliation of the statutory historical and forecast consolidated statements of cash flows to the pro forma historical and forecast consolidated statements of cash flows at the operating, investing and financing activity levels.

Table 16: Pro forma adjustments to the statutory historical and forecast cash flows

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
Statutory net cash flow from operating activities		5.4	1.8	0.6	2.4
Net finance cost impact of Offer/repayment of debt	1	0.0	0.0	0.2	0.2
Incremental public company costs	2	(0.4)	(0.4)	(0.4)	(0.2)
Other one-off adjustments	3	(0.1)	0.1	0.0	4.2
Pro forma net cash from operating activities		**4.9**	**1.5**	**0.3**	**6.6**
Statutory net cash flow from investing activities		**(1.5)**	**(2.6)**	**(14.6)**	**(8.8)**
Remove costs of acquiring subsidiaries and businesses	4	–	0.4	8.7	3.5
Net repayment of loans by related parties	5	–	–	0.1	(0.3)
Proceeds from sale of shares		–	(0.2)	–	–
Pro forma net cash flow before financing activities and dividends		**3.3**	**(1.0)**	**(5.4)**	**0.9**
Statutory net cash flow from financing activities					**27.4**
Repayment of borrowings	6				8.1
Issuance of shares					(33.5)
Pro forma net cash flow before dividends					**3.0**

Notes:

1. Adjustment to remove the impact of the Offer and repayment of Bank Bill Business Loan and other loan balances upon Completion of the Offer, comprising historical interest paid on the borrowing facilities and the deferred consideration in relation to the EIFY acquisition.
2. Reflects Damstra's estimate of the incremental annual costs that will be incurred as a listed public company. These costs include additional Non-Executive Director remuneration, additional audit fees, listing fees, share registry costs, increased Directors' and officers' insurance premiums as well as annual general meeting and annual report costs. The FY2020 adjustment relates to the three-month period prior to Completion of the Offer.
3. Reflects other applicable pro forma adjustments made to the consolidated statements of financial performance, including an adjustment for the expensed Offer costs in FY2020 as well as an adjustment to remove the impact of the payment of stamp duty on the Velpic acquisition.
4. Cash payments for acquisitions related to the acquisition of safeSTAX (FY2018) and EIFY and Velpic (FY2019) as well as the payment of contingent consideration in relation to the EIFY and Velpic acquisitions in FY2020. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million. The payment of the contingent consideration in relation to the Velpic acquisition results in a gain on settlement of $0.1m. An employee loan receivable of $0.3m will also be repaid prior to the Offer.
5. Reflects the receipt of proceeds from the repayment of a Director loan receivable.
6. Reflects the repayment of current and non-current business loans ($6.6m) and deferred consideration in relation to the EIFY acquisition ($1.5m).

4.5.2. Statutory historical and forecast consolidated statements of cash flows

Table 17 sets out the statutory historical consolidated statements of cash flows for FY2017, FY2018 and FY2019 (respectively) extracted from the annual financial statements and the statutory forecast consolidated statement of cash flows for FY2020.

Table 17: Statutory historical and forecast consolidated statements of cash flows

	HISTORICAL RESULTS			FORECAST
A$ in millions	FY2017	FY2018	FY2019	FY2020
EBITDA	4.0	(1.6)	1.5	(0.7)
Movement in working capital	0.7	(0.3)	(0.4)	1.5
Interest received	–	0.0	0.1	0.4
Finance costs paid	(0.1)	(0.0)	(0.5)	(0.5)
Income tax received/(paid)	–	(1.1)	(0.4)	(0.7)
Share-based payment	1.0	5.1	0.3	2.5
Profit on sale of assets	(0.3)	(0.2)	–	–
Net cash flow operating activities	**5.4**	**1.8**	**0.6**	**2.4**
Proceeds from sales of property, plant and equipment	–	0.2	–	–
Purchase of property, plant and equipment	(0.5)	(1.7)	(3.8)	(4.4)
Payments for other non-current assets/intangible assets	(1.1)	(0.8)	(2.0)	(1.2)
Net repayment of loans by related parties	–	–	(0.1)	0.3
Payments for acquisition of subsidiaries (net of cash acquired)	–	(0.4)	(8.7)	(3.5)
Net cash flow investing activities	**(1.5)**	**(2.6)**	**(14.6)**	**(8.8)**
Net proceeds/(repayment) of borrowings	(3.8)	1.7	8.3	(6.0)
Proceeds from issue of Shares	–	0.4	–	33.5
Proceeds from issue of Convertible Notes	–	–	5.4	–
Net cash flow financing activities	**(3.8)**	**2.0**	**13.7**	**27.4**
Net (decrease)/increase in cash and cash equivalent (before dividends)	**(0.0)**	**1.2**	**(0.4)**	**21.0**

4.6. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

4.6.1. Interest rate risk

Damstra is exposed to interest rate risk arising from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The primary financial liabilities impacted by interest rate movements include cash balances, loans and borrowings. Interest rate exposure is monitored and analysed, and consideration is given to potential renewals of existing positions, uses of funds and alternative financing options as well as the mix of fixed and variable interest rates.

4.6.2. Foreign exchange risk

Damstra transacts in various currencies other than the Australian dollar reporting currency, including the United States dollar, United Kingdom pound, Philippine peso and the New Zealand dollar. Damstra has not historically hedged its foreign currency exposure and as a result earnings are exposed to the net impact of movements in foreign exchange rates on sales, employee expenses and purchases in the foreign currencies in which the transactions occur.

The potential impact on NPAT of movements in foreign currency exchange rates over the forecast period is considered in Section 4.9. Damstra has foreign currency bank accounts, receivables and payables that are denominated in a currency other than the Australian dollar reporting currency, and holds investments in overseas subsidiaries which are not hedged. Any foreign exchange rate movements in respect to the transactional currency in which the net investment in foreign subsidiaries are held are recognised in the foreign currency translation reserve.

4.7. ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, the Directors have undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for FY2020. The Company and its Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the assumptions set out in this Section 4.7. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of the Company and its Directors. Accordingly, none of the Company, the Directors nor any other person can give any assurance that the Forecast Financial Information or any forward-looking statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Independent Limited Assurance Report set out in Section 8. The pro forma adjustments to the forecast consolidated statement of financial performance are set out in Section 4.3 and the pro forma adjustments to the forecast consolidated statement of cash flows are set out in Section 4.5.

4.7.1. General assumptions

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the Company, which are in accordance with AAS, and are included in Appendix A of this Prospectus.

In preparing the Forecast Financial Information, Damstra has adopted the following general assumptions:

- no material changes in the competitive and operating environment in which Damstra operates;
- no material acquisitions, disposals, restructuring or investments occur over the forecast period other than as set out in, or contemplated by, this Prospectus;
- no significant deviations from current market expectations of economic and market conditions relevant to Damstra and its clients;
- no material changes in legislation, regulatory requirements or government policy (including the manner in which those are enforced) that will have a material impact on Damstra's business or clients beyond those announced as at the Prospectus Date;
- no material changes in the tax laws in the jurisdictions in which Damstra operates;
- no material changes in foreign exchange rates, particularly as they relate to the Australian and United States dollar;
- other than the changes to accounting standards described in Section 4.2.4, no material changes in applicable AASB, IFRS, or other mandatory professional reporting requirements or the Corporations Act that could have a material impact on Damstra's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material changes in key staff, including key management personnel, and Damstra is able to recruit and retain staff required to support the current business and future growth of the Company;
- no material changes in the process of assembling and distributing hardware to Damstra's clients;

- no significant interruptions or industry disturbances in relation to Damstra's technology, workplace management platform, hardware and software solutions or global operations support;
- no material changes to the corporate and funding structure;
- no material industry disturbances, disruptions to the continuity of operations of Damstra;
- no material amendments to any material contract, agreement or arrangement relating to Damstra's business;
- no occurrence of the key risk factors listed in Section 5, or in the event of any occurrence, no material adverse impact on Damstra's operations;
- progress of the Offer in accordance with the timetable set out in the key dates on page 4 of this Prospectus;
- no contingent liabilities will arise or be realised other than as disclosed in this Prospectus;
- no material impact in relation to litigation or claims (existing or otherwise);
- no material change in economic factors (e.g. business confidence and consumer sentiment);
- no material losses of clients or contracts;
- no material change in Damstra's corporate and funding structure other than as set out in, or contemplated by, this Prospectus; and
- no material change in interest rates on Damstra's borrowings, as a result of a change in the applicable base rate, or change in interest rates in general.

4.7.2. Specific assumptions

The Forecast Financial Information is based on various specific assumptions, including those set out below. These are a summary only and do not represent all factors that will affect forecast financial performance and cash flows.

4.7.2.1 Foreign currency and inflation assumptions

The Forecast Financial Information is based on the following group assumptions:

- exchange rates are assumed to remain constant throughout FY2020 with key rates being 0.66 US dollars, 40 Philippine pesos, 0.56 British pounds and 1.05 New Zealand dollars to one Australian dollar; and
- consumer price index of 2.0%.

4.7.2.2 Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- revenue is forecast on a client by client, and where applicable, a project by project basis. For most existing clients, revenue is initially forecast on a whole of revenue basis and then allocated to revenue types (licence fees, hardware and other) based on FY2019 mix. For new clients, revenue assumptions are split by revenue type;

Existing clients

- percentage retention rate of existing clients is assumed to remain consistent with trends experienced in the Historical Financial Information;
- unless specified in existing contracts, there are no assumed price increases;
- client licence usage growth is assumed to be consistent with current contractual arrangements (where applicable) factoring in ramp up reflective of the run rate experienced on contracts won in FY2019, and based on identified projects and opportunities, including expanded usage across additional products on the workplace management platform;
- hardware is assumed to continue to be delivered in line with client rollout plans, with pricing on hardware remaining consistent with FY2019 and arrangements with existing clients continue and are not terminated;

New clients

- new client revenues are forecast based on specifically identified opportunities (with a reasonable probability) at tendered prices or consistent with existing client pricing; and
- other than the ramp up in fees associated with a U.S.-based client and a new UK based client ($3.6m in total), no revenue is assumed from new international clients.

4.7.2.3 Expense assumptions

The Forecast Financial Information is based on the below key expense assumptions, which are allocated to cost categories on a consistent basis with the pro forma historical consolidated statements of financial performance for FY2017, FY2018 and FY2019 (respectively):

Cost of sales

- direct employee remuneration costs (Australian-based) are assumed to remain at current levels, with any incremental requirements to be serviced by offshore staff;
- offshore staff costs, primarily in the Philippines global operations centre, are assumed to increase by $0.5m to $1.7m driven by 22 additional staff aligned to the increased workload arising from revenue growth;
- software, licence and subscription fees are assumed to be consistent with FY2019 plus inflationary increases;
- outsourced training and development costs are assumed to decrease as a percentage of revenue, based on a reduction in the use of external training providers (being replaced by Velpic) and a client contract ending;
- other cost of sales are assumed to remain stable and are based on the current spend levels plus inflationary impacts;

Operating expenses

- operating expenses mainly comprise personnel related expenses (excluding those recognised in cost of sales), which assume growth of the research and development, sales and marketing and administration teams totalling 17 additional full-time equivalents ("**FTE**"). In addition, the Board has implemented a new equity incentive plan following the Offer for which an expense of $1.1m is assumed in FY2020;
- capitalisation of staff costs is assumed to reflect continued investment in product development and innovation and new client acquisition. Staff related expenses where directly attributable, measured reliably and where future economic benefit is probable, are forecast to be capitalised at 70% of total research and development staff expenses, consistent with FY2019;
- Offer costs of $7.3m have been incurred of which $5.8m (before tax) is included in the statutory forecast consolidated statement of financial performance for FY2020 (with the remaining costs directly applicable to the Offer offset against issued capital within equity);
- depreciation charges are forecast based on the anticipated depreciation schedule for existing and future capital investment;
- amortisation charges are based on the FY2019 level of capitalised intangible assets and forecast capitalisation of development costs;
- net finance expenses for the three-month period prior to use of the Offer proceeds include fees for undrawn Banking Facilities based on existing terms. Finance leasing costs are assumed to increase on the assumption that all capital expenditure is financed using the Leasing Facility on the same terms as existing facilities;
- incremental public company costs of $0.4m reflect Damstra's estimate of incremental costs incurred as a listed public company for the nine-month period post Completion of the Offer, including additional audit and legal costs, listing fees, share registry costs, Directors' and officers' insurance premiums as well as investor relations, annual general meetings and annual reporting costs; and
- income tax based on corporate tax rate of 27.5%.

4.7.3. Other assumptions

Other key assumptions made in the preparation of Forecast Financial Information include:

- **changes in working capital:** reflects the movement in trade and other receivables, other current assets, costs to fulfil contracts, trade and other payables, contract liabilities and provisions. Damstra has assumed client collection terms are consistent with trends in the period of the Historical Financial Information for both existing and new clients; and
- **capital expenditure:** reflects assumed $4.4m investment in property, plant and equipment expected to be required to support the growth of Damstra's business throughout the forecast period, as well as the assumption of $1.2m for capitalised development in FY2020.

4.8. MANAGEMENT DISCUSSION AND ANALYSIS

4.8.1. Key elements of operating results and their drivers

Below is a discussion of Damstra's revenue and expenses and the main factors which affected Damstra's operating and financial performance during the period of the Historical Financial Information and which Damstra expects may continue to affect Damstra over the period of the Forecast Financial Information.

The discussion is intended to provide a brief summary only and does not detail all the factors that had an impact on the historical operating and financial performance, or everything which may impact Damstra's operations and financial performance in the future. Unless otherwise stated, all financial information presented in this Section 4.8, and the related commentary, is on a pro forma basis. The information in this Section 4.8 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.8.2. Revenue

Table 18 shows the breakdown of pro forma revenue for both the historical and forecast periods.

Table 18: Pro forma revenue breakdown

	HISTORICAL RESULTS			FORECAST
A$ in millions	FY2017	FY2018	FY2019	FY2020
Licence fees	5.8	7.9	11.8	14.8
Hardware	1.2	1.4	2.0	4.9
Other	1.3	1.2	1.5	1.7
Total revenue	**8.2**	**10.5**	**15.3**	**21.3**
Growth (%)		27.6%	45.7%	39.4%
Recurring revenue as % of total revenue	**84.7%**	**88.6%**	**90.4%**	**92.1%**

Damstra generates revenue from a user licence model, often coupled with recurring hardware payments that are driven by the number of licence subscriptions and renewals and the penetration of new products and modules within clients.

In addition to the factors below that drive categories of revenue, Damstra's revenue is generally driven by several factors described in Sections 2 and 3 of this Prospectus. These include:

- increasing client need for risk and compliance management, discussed in Section 2.1.1;
- the global growth of workplace management solutions, discussed in Section 2.2.2;
- the growth of the market for commercial workplace management solutions, discussed in Section 2.3;
- the factors affecting entry into the workplace management solutions market, discussed in Section 2.4;
- demand for Damstra's solution, discussed in Section 3.2;
- the attributes of Damstra's product and platform, discussed in Section 3.3;
- Damstra's business model, discussed in Section 3.4;
- Damstra's sales and marketing approach, discussed in Section 3.6;
- Damstra's clients increasing the usage of Damstra's platform and product due to new and/or expanding projects, discussed in Section 3.7; and
- the success of Damstra's growth strategy, discussed in Section 3.8.

4.8.2.1 Revenue categories

Damstra categorises its revenue according to the licence model and hardware rental model under which it is generated as discussed in Section 3.4. Damstra's three categories of revenue include:

- **Licence fees:** includes recurring, prepaid annual and monthly subscription fees generated on a per person, per product basis. This revenue stream is driven primarily by the price charged per licence, the number of licences on issue and the number of clients or projects held by Damstra;
- **Hardware:** includes recurring, monthly fees generated per item of hardware deployed on client sites, with fees determined by the type of equipment supplied, the volumes of such equipment and the number of locations in which it is deployed. This revenue stream is driven primarily by the monthly fee per item, the number of devices in field and the type of hardware being used; and
- **Other:** includes identification card issuance, card replacement fees, provision of online and in-person training packages, implementation fees, site configuration and implementation of hardware devices, development and creation of training content, and customisation of software where required.

For Damstra's clients that have employees using the Damstra solution, annual subscription fees are paid by their employers. For Damstra's clients that have contractors who are not directly employed by Damstra's clients, annual subscription fees are typically paid by each contractor before they commence their work with Damstra's client.

4.8.2.2 FY2017 versus FY2018

Total revenue increased by 28% from $8.2m in FY2017 to $10.5m in FY2018. The revenue growth throughout the period was primarily driven by:

- an increase in the licence and hardware fees generated by new clients of $0.5m, driven by the implementation of a large new client and the establishment of Damstra's New Zealand office and onboarding of New Zealand-based clients;
- securing additional contracts and projects with key existing clients, which contributed licence and hardware fees of $1.1m;
- the impact of the newly acquired safeStax business, which contributed licence and hardware fees of $0.1m; and
- a lower net impact from pro forma contract liabilities (deferred revenue) in FY2018 when compared to FY2017 of $0.6m.

4.8.2.3 FY2018 versus FY2019

Total revenue increased by 46% from $10.5m in FY2018 to $15.3m in FY2019. The revenue growth throughout the period was primarily driven by:

- an increase in licence and hardware fees from existing clients in Australia and New Zealand of $0.6m;
- an increase in new clients ($1.9m of incremental licence and hardware fees), including the implementation of a large new global client;
- international expansion of the Company into the United States and the continued growth in the New Zealand market, which resulted in total revenue from international markets contributing to 13% of total revenue in FY2019; and
- the impact of the acquisition of both EIFY and Velpic businesses, which contributed licence and hardware fees of $2.5m during the period.

4.8.2.4 FY2019 versus FY2020

Total revenue is forecast to increase by 39% from $15.3m in FY2019 to $21.3 in FY2020. The revenue growth throughout the period is assumed to be primarily driven by:

- existing clients contributing $6.6m of additional licence and hardware fees in FY2020 as key clients roll out Damstra's solution across multiple projects and operating sites. The $7.0m increase largely relates to a $3.0m assumed increase in licence and hardware fees from the existing large, global client secured in FY2019 and an additional $1.7m assumed contribution from an existing Australian client rolling out multiple new projects;
- an increase in revenue generated from new clients ($1.2m of incremental licence and hardware fees, which includes $0.6m from international markets);
- the forecast continued international expansion, which is forecast to result in total revenue from international markets increasing from 11% of total revenue in FY2019 to 25% in FY2020, mostly related to the specific U.S. client noted in Section 4.7.2.2; and
- the incremental revenue impact of the additional licence and hardware fees, which is partly offset by an assumed net movement in contract liabilities of ($1.8m).

In addition to new client revenues included in the FY2020 forecast (on the basis set out in Section 4.7.2.2), we are currently in discussions with existing and prospective clients in relation to variations of existing contracts, or new contracts, which have the potential to change the volume of usage of our solution (subject to reaching agreement on commercial terms and finalising relevant legal documentation). While this may result in a change in revenue in the forecast period, at present there is not a sufficiently reasonable basis for quantifying the impact of any such change.

4.8.3. Gross profit margin

Damstra's gross profit margin is a function of the revenue drivers explained above and cost of sales. Cost of sales primarily comprises the wages, salaries and related expenses of Damstra's employees directly associated with product design and development and Damstra's offshore staff providing support to Damstra's clients. Cost of sales also includes software licences and subscription costs (which include third party hosting expenses), outsourced training and development costs and communication and other direct expenses. Given the significant investment in software, licences and subscriptions and our global operations centre throughout FY2019, combined with a majority of Damstra's cost of sales being fixed in nature (based on FY2019 pro forma figures), Damstra expects that cost of sales will grow at a slower rate than revenue during FY2020.

Table 19 shows the breakdown of cost of sales for both the historical and forecast periods.

Table 19: Pro forma cost of sales breakdown

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
Total revenue		**8.2**	**10.5**	**15.3**	**21.3**
Direct employee remuneration		(0.7)	(1.0)	(1.2)	(1.0)
Offshore costs		–	(0.4)	(1.2)	(1.7)
Subtotal employee costs		**(0.7)**	**(1.4)**	**(2.4)**	**(2.6)**
Software, licences and subscription		(0.2)	(0.4)	(1.4)	(1.5)
Outsourced training and development		(0.2)	(0.5)	(1.1)	(0.8)
Phone and communication		(0.2)	(0.4)	(0.7)	(0.7)
Materials oncharged		(0.2)	(0.2)	(0.4)	(0.5)
Postage, couriers and freight		(0.1)	(0.1)	(0.2)	(0.2)
Materials not oncharged		(0.0)	(0.0)	(0.1)	(0.1)
Other		(0.1)	(0.0)	(0.2)	(0.3)
Total cost of sales		**(1.8)**	**(3.1)**	**(6.4)**	**(6.6)**
Gross profit		**6.4**	**7.4**	**8.9**	**14.7**
Gross profit margin (%)		**78.1%**	**70.7%**	**58.2%**	**69.0%**

4.8.3.1 FY2017 versus FY2018

Overall gross profit increased by $1.0m in FY2018 (15%) as a result of the increases in revenue noted above. Gross profit margin declined from 78.1% to 70.7%, largely due to an increase of seven FTE direct employee numbers driving a $0.3m increase in direct employee remuneration costs, increases in offshoring costs related to Damstra's investment in the establishment of Damstra's global operations centre in the Philippines, data connectivity costs (included in phone and communication) associated with positioning the business to allow for international scalability, and Damstra's expansion into the New Zealand market.

4.8.3.2 FY2018 versus FY2019

Overall gross profit increased by $1.5m in FY2019 (20%) mainly driven by the increases in revenue noted above. Gross profit margin declined from 70.7% to 58.2% due to Damstra's investment in infrastructure as well as temporary inefficiencies related to Damstra's transition to a global offshoring business model to support growth. Specifically:

- the Company's migration to AWS drove increases in third party hosting costs of $0.3m (within software, licences and subscription costs), as well as a $1.2m increase in licence costs associated with ManageEngine, Salesforce, Zendesk and Exago;
- there was an increase in the number of direct employees through the year with a reduction towards the back end of the year (representing $0.2m), as a result of the Company scaling and transitioning towards an offshoring and global business model;
- the continued rollout and expansion of Damstra's global support team based in the Philippines drove increases in offshore costs of $0.8m. Over time, Damstra's transition towards an offshoring model via Damstra's increased presence in the Philippines will allow for reduced investment in local support staff (included within direct employee remuneration); and
- phone and communication costs increasing $0.3m as a result of new phone lines added to support Damstra's global expansion.

4.8.3.3 FY2019 versus FY2020

Overall gross profit is forecast to increase by $5.8m (65.1%) and gross profit margin to increase to 69.0% as a result of the increases in revenue explained above and the following factors related to cost of sales:

- an increase in the mix of hardware revenue from 13% to 23%, for which the associated direct costs are not reflected within gross profit and are instead capitalised on the statement of financial position and reflected as depreciation on the statement of financial performance;
- $4.7m of the licence and hardware fees driving the forecast increase in revenue relates to two large clients who are expected to have lower document verification requirements and hence lower utilisation of Damstra's global operations centre. As a consequence, no offshore cost increases were assumed in relation to these clients;
- an increase in the utilisation of the global operations centre, resulting in the total level of combined direct employee remuneration and offshore costs not needing to increase in proportion with total revenue;
- software licence and subscription costs remaining flat as the cost increases related to Damstra's investment in hosting and offshoring to position the Company for scale were reflected in FY2019; and
- a $0.3m decrease in outsourced training and development costs, due to the end of a contract with a small client.

4.8.4. Operating expenses

Table 20 shows the breakdown of operating expenses for both the historical and forecast periods.

Table 20: Pro forma operating expenses

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
Sales and marketing expense		(1.2)	(2.7)	(3.9)	(4.1)
Research and development expense		(0.4)	(0.4)	(0.4)	(1.0)
General and administration expense		(1.8)	(2.1)	(3.9)	(5.3)
Total operating expenses		**(3.4)**	**(5.2)**	**(8.1)**	**(10.4)**
Sales and marketing expense % revenue		14.2%	25.8%	25.2%	19.0%
Research and development expense % revenue		5.4%	3.7%	2.8%	4.7%
General and administration expense % revenue		21.9%	19.8%	25.3%	25.0%

An explanation of key operating expense categories is as follows:

- **Sales and marketing expenses:** relates to the wages and salaries of the sales and marketing team, advertising and marketing spend and associated travel and other costs. These costs are assumed to increase as Damstra continues to invest in the sales and marketing team to drive future revenue growth;
- **Research and development expenses:** relates to the proportion of wages, salaries and other expenses of Damstra's research and development team who undertake research, development project management and maintenance activities in relation to Damstra's workplace management solution; and
- **General and administration expenses:** relates to the wages, salaries and other expenses of Damstra's management team including Director fees, administration costs including legal and audit fees, and other expenses such as insurance, premises and travel. Increased headcount throughout the business, including investment in additional management personnel, has driven increases in the overall cost from FY2017 to FY2020.

Personnel-related expenses are Damstra's largest expense item, representing 58% (net of capitalised development costs) of total operating expenses based on the pro forma FY2020 forecast (or 75% including the capitalised portion of these costs), and are allocated across cost categories according to their functions. As at 1 August 2019, 41% of Damstra's staff were in product development functions, 15% within sales & marketing and 44% within general and administration. When an activity is directly related to development, and where assessment is made that future economic benefit is probable, the costs related to that activity are capitalised instead of being treated as expenses (see Section 4.8.7).

Damstra incurs expenses in several currencies as discussed in Section 4.6.2, although most of Damstra's operating expenses are incurred in Australian dollars, reflecting the primary location of Damstra's staff.

4.8.4.1 FY2017 versus FY2018

Total operating expenses grew 52% from $3.4m in FY2017 to $5.2m in FY2018.

The movement in operating expenses was primarily driven by an investment in growing the business, including to strategically orient it towards international growth. In particular:

- **Sales and marketing:** increased by $1.5m due to the development of a new website, an increase in travel expenses as Damstra's geographic footprint expanded to the Philippines and New Zealand, and an increase in FTEs from three to nine;
- **Research and development:** the expensed costs remained flat; and
- **General and administration:** expenses increased $0.3m mainly due to an increase in FTE.

4.8.4.2 FY2018 versus FY2019

Total operating expenses grew 57% from $5.2m in FY2018 to $8.1m in FY2019.

The movement in operating expenses was primarily driven by further global expansion as well as significant investment in management and the executive team. In particular:

- **Sales and marketing:** increased by $1.2m primarily due to an increase in headcount of six FTE and travel associated with Damstra's establishment of operations in the U.S. and expansion of New Zealand operations;
- **Research and development:** the expensed cost remained flat; and
- **General and administration:** increased by $1.8m driven by the investment in the executive team including an increase of two FTEs and higher privacy insurance.

4.8.4.3 FY2019 versus FY2020

Total operating expenses are forecast to grow 27% from $8.1m in FY2019 to $10.4m in FY2020.

The assumed movement in operating expenses is primarily related to the following factors:

- **sales and marketing:** increase of $0.2m mainly reflecting an assumed increase headcount of five FTEs and further investment in Damstra's website;
- **research and development:** forecast to increase from $0.4m to $1.0m, mainly reflecting an assumed increase in headcount of 10 FTEs in order to meet Damstra's forecast growth ambitions and accelerate product development and innovation; and
- **general and administration:** expenses are forecast to increase by $1.4m, reflecting an assumed increase in headcount of two FTEs and the implementation of the new equity incentive plan with $0.9m of the total plan expense for FY2020 included in general and administration.

Table 21 shows the breakdown of non-operating expenses for both the historical and forecast periods.

Table 21: Pro forma non-operating expense breakdown

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
Depreciation		(0.6)	(0.7)	(1.2)	(1.8)
Amortisation		(1.0)	(1.4)	(2.9)	(3.3)
Net finance expense		(0.1)	(0.0)	(0.2)	–
Income tax (expense)/benefit		(0.3)	0.2	(0.1)	–

4.8.4.4 Depreciation and amortisation

Depreciation predominantly relates to the fixed assets base, including items such as hardware units deployed. Depreciation is based on the existing useful life, with any new capital expenditure depreciated over a useful life of 1-7 years.

Amortisation is a non-cash expense that relates to both internally and externally acquired intangible assets. This expense included amortisation of capitalised internally developed software, intangibles arising from recent acquisitions as well as amortisation of customer acquisition costs under AASB 15 *Revenue* from Contracts with Customers.

Depreciation and amortisation has increased from $1.6m in FY2017 to $2.1m in FY2018 and $4.1m in FY2019. In FY2020, Damstra assumes depreciation and amortisation expense to be $5.1m. The historical and forecast increase in depreciation and amortisation is driven by:

- increased client demand for hardware;
- amortisation of capitalised development software due to the increase in development spend;
- amortisation of costs to fulfil contracts related to new client acquisition costs; and
- acquisitions of new businesses, leading to higher amortisation costs on acquired software and value of client contracts.

4.8.4.5 Net finance cost

Net finance cost is the interest expense related to borrowings and finance leases. The proceeds of the Offer will be used to repay Damstra's borrowings under the present Banking Facilities (excluding the Leasing Facility) and Damstra therefore only has pro forma interest expenses relating to the Leasing Facility. As Damstra has forecast for no indebtedness, Damstra has removed historical interest expenses relating to the remaining Banking Facilities. However, Damstra does incur a commitment fee on some of Damstra's undrawn Banking Facilities, the costs of which are included within general and administration expenses.

4.8.5. Commentary on cash flow statements

Table 22 shows the pro forma operating cash flows for both the historical and forecast periods.

Table 22: Pro forma operating cash flows

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
EBITDA after significant items	1	2.6	(0.7)	1.3	4.3
Non-cash impact of share-based payments	2	0.4	3.1	0.3	0.5
Movement in working capital	2	1.7	(0.1)	(0.7)	2.3
Interest received		–	–	0.1	0.4
Finance costs paid		(0.0)	(0.0)	(0.3)	(0.3)
Income tax received/(paid)		0.2	(0.9)	(0.3)	(0.7)
Net cash flow operating activities		**4.9**	**1.5**	**0.3**	**6.6**
EBITDA before significant items		3.0	2.4	1.3	4.3
Operating cash flow conversion ratio		160.4%	60.1%	26.4%	151.1%

Notes:
1. Refer to the notes to Table 15.
2. Refer to the notes to Table 15.
3. Refer to the notes to Table 15.

Table 23 shows the pro forma free cash flows for both the historical and forecast periods.

Table 23: Pro forma free cash flows

		HISTORICAL RESULTS			FORECAST
A$ in millions	Notes	FY2017	FY2018	FY2019	FY2020
EBITDA after significant items	1	2.6	(0.7)	1.3	4.3
Non-cash impact of share-based payments	2	0.4	3.1	0.3	0.5
Movement in working capital	3	1.7	(0.1)	(0.7)	2.3
Capitalised development cost		(1.1)	(0.8)	(2.0)	(1.2)
Other net capital expenditure		(0.5)	(1.7)	(3.8)	(4.4)
Free cash flow		**3.2**	**(0.1)**	**(4.9)**	**1.6**
Free cash flow conversion ratio		104.4%	(4.9%)	(393.5%)	36.2%

Notes:
1. Refer to the notes to Table 15.
2. Refer to the notes to Table 15.
3. Refer to the notes to Table 15.

4.8.6. Working capital

Working capital relates primarily to the trade and other receivables, other current assets, costs to fulfil contracts, trade and other payables, contract liabilities and provisions. Damstra operates in a negative net working capital position primarily as a result of the level of contract liabilities (representing revenue received in advance of revenue being recognised).

4.8.6.1 FY2017

Working capital decreased by $1.7m (to a higher negative position), contributing to a cash flow from operating activities of $4.9m. The decrease was mainly driven by an increase in pro forma contract liabilities.

4.8.6.2 FY2018

EBITDA after significant items included the non-cash impact of share-based payments. EBITDA before significant items was $2.4m. The conversion of EBITDA into operating cash flow was only partly impacted by increased working capital of $0.1m.

4.8.6.3 FY2019

Working capital increased by $0.7m (to a lower negative position), contributing to a cash flow from operating activities of $0.3m. The increase was mainly driven by an increase in trade and other receivables partly offset by an increase in trade payables due to the increase in expenses incurred closer to year end.

4.8.6.4 FY2020

Working capital is forecast to decrease by $2.3m (to a higher negative position), contributing to a cash inflow from operating activities of $6.5m, which is in excess of EBITDA of $4.3m mainly due to the receipt of the research and development tax incentive ($1.3m), as well as an increase in contract liabilities as a result of receiving cash in advance of revenue being recognised.

4.8.7. Capitalised development costs and other capital expenditure

Damstra capitalises costs related to the development of new products or significant enhancements to existing products. This is done on the basis that it is probable that the software, when completed, will generate economic benefit in accordance with AASB 138 *Intangible Assets*. All other product development costs are expensed through the statement of financial performance.

Costs decreased 28% from $1.1m in FY2017 to $0.8m in FY2018, and increased 118% to $2.0m in FY2019, mainly due to increased headcount, an investment in software products and increased spend on product development. This is forecast to decrease 40% in FY2020 as a result of lower expected spend on external software.

Other capital investments relate predominantly to the hardware Damstra supplies to clients, for which Damstra intends to retain Damstra's existing Leasing Facility with Westpac. Other capital investments have increased 248% from $0.5m in FY2017 to $1.7m in FY2018, and 118% to $3.8m FY2019, in line with hardware rollout on new and existing client sites. This is forecast to increase 18% to $4.4m in FY2020 as a result of further client growth and expanding Damstra's footprint to additional client sites.

4.8.8. Foreign exchange

The Financial Information in this Prospectus is presented in Australian dollars. Net assets of each of Damstra's wholly-owned subsidiaries have been translated for the purposes of the Historical Financial Information at the exchange rate applicable to each subsidiary on the relevant date of the statement of financial position.

Damstra invoices clients in a variety of currencies. Earnings of each of Damstra's wholly owned subsidiaries have been translated at the dates of the transactions for the purposes of the Financial Information.

4.9. SENSITIVITY ANALYSIS

The Forecast Financial Information included in Sections 4.3, 4.4, 4.5 and 4.8 is based upon a number of general and specific assumptions which have been outlined above and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty and therefore positive or negative variances from the Forecast Financial Information presented in this Prospectus are to be expected. To assist investors in assessing the potential impact of changes to the key assumptions on the forecasts, Table 24 sets out a summary of the sensitivity of revenue and NPAT to defined changes in a number of key variables. The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of the potential sensitivity of financial outcomes to changes in those key assumptions. They should be read in light of the comments in this Section 4 and the rest of the information in this Prospectus.

The range of sensitivities shown are illustrative of the potential variations which may occur but are not intended to be a complete range of variations which may occur and actual variation in performance may exceed the ranges shown. In practice, changes in variables may offset each other or be additive, and it is likely that Damstra's management would respond to any adverse change in one variable by seeking to minimise the net effect on Damstra's NPAT. Each of these sensitivities have been calculated in isolation from changes in other variables and so care should be taken in interpreting this analysis.

Table 24: FY2020 Revenue and NPAT impact of key sensitivities

	SENSITIVITY	NOTES	FY2020 ASSUMPTION	REVENUE IMPACT	IMPACT UPON NPAT
Revenue growth	+/- 2%	1	39% year on year growth	+/- $0.3m	+/- $0.2m
Direct employee costs (including offshore)	+/- 5%	2	$2.6m cost	n.a.	+/- $0.1m
US$	+/- 1 cent	3	AUD/USD 0.66	+/- $0.1m	+/- $0.1m
Capitalised development costs	+/- 5%	4	$1.2m in capitalised costs	n.a.	+/- $0.1m

Notes:

1. The impact on FY2020 revenue and NPAT of a change in the forecast revenue growth rate from FY2019 to FY2020 of +/- 2 percentage points. The impact on NPAT assumes certain cost of sales such as direct employee remuneration, software, licenses and subscription and phone and communication are fixed for the level of change in revenue growth assumed.
2. The impact on FY2020 NPAT of a change in direct employee costs (including offshore costs) of +/- 5%.
3. The impact on FY2020 revenue and NPAT of a 1 cent increase or decrease in the assumed U.S. dollar exchange rate of US$0.66 to one Australian dollar.
4. The impact on FY2020 NPAT of a change in the amount of capitalised development resulting from changes in the level of development work qualifying for capitalisation.

In addition to new client revenues included in the FY2020 forecast (on the basis set out in Section 4.7.2.2), we are currently in discussions with existing and prospective clients in relation to variations of existing contracts, or new contracts, which have the potential to change the volume of usage of our solution (subject to reaching agreement on commercial terms and finalising relevant legal documentation). While this may result in a change in revenue in the forecast period, at present there is not a sufficiently reasonable basis for quantifying the impact of any such change.

4.10. DIVIDEND POLICY

The payment of any dividend by the Company is at the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant at the time. It is the current intention of the Board to target a dividend payout ratio of up to 50% of Damstra's annual statutory NPAT. No dividend is expected to be paid for the period from the Offer to 30 June 2020. Depending on the ongoing available earnings and the ongoing financial position of the Company, and subject to the previous paragraph, it is the intention of the Board to declare interim dividends in respect of half years ending 31 December and final dividends in respect of half years ending 30 June each year. Shares issued as a result of the Offer will rank equally with all other Shares for dividend entitlements.

The Directors intend to pay fully franked dividends to the extent that franking credits are available. As of the date of the Offer, Damstra has a franking credit balance of $1.2m on a cash basis before accruing for the effect of the FY2019 income tax return.

No assurance can be given by any person, including the Directors about the payment of any dividend and the level of franking on any such dividend.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Any prospective investor who is not a resident of Australia should consult with their tax adviser regarding the application of Australian withholding or other taxes to their particular situation.

5

KEY RISKS

5 KEY RISKS

This Section 5 describes some of the potential risks associated with an investment in Damstra.

An investment in Damstra is subject to risks specific to Damstra and its business activities and is also subject to general risks. Each of these risks could, if they eventuate, have a material adverse impact on Damstra's business, financial position, operating and financial performance and the value of Shares. Many of the circumstances giving rise to these risks are beyond the control of Damstra and its Directors and management.

You should note that the risks described in this Section 5 are not the only risks faced by Damstra. Additional risks (including risks of which Damstra and its Directors are currently unaware) also have the potential to have a material adverse effect on Damstra's business, financial position, operating and financial performance and the value of its Shares.

Before deciding whether to invest in Damstra, you should read this Prospectus carefully and in its entirety, and satisfy yourself that you have a sufficient understanding of the actual and potential risks associated with such an investment. You should consider whether an investment in Damstra is suitable for you, having regard to your personal circumstances, investment objectives, financial circumstances, taxation position and particular needs. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Damstra, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

5.1. BUSINESS AND INDUSTRY RISKS

5.1.1. Failure to effectively attract new or retain existing clients

Our business depends on our ability to retain existing clients, attract further business from existing clients and to gain new clients. There is a risk our existing clients reduce their usage of our solution, for example, in terms of the number of licences, the number of sites on which our solution is present, and/or the number of services or modules used. This would result in a reduction in the level of payments they make to us. While many of our clients are on fixed-term contracts, there is a risk that these contracts are not renewed or are terminated, which may result in a decrease in our revenue. There is also a risk that new clients fail to select Damstra's solution for their business.

Our ability to retain existing clients and attract new clients, as well as our clients' level of usage of our solution, depends on many factors including the adequacy of our solution with respect to matters such as functionality, reliability, cost-effectiveness, pricing, client support and value compared to competing products. In addition, clients' use of our solution may be affected by external factors such as changes to laws and regulations. If our clients do not continue to use our solution or increase their use over time, or if new clients do not choose to use our solution, the growth in our revenue may slow or decline.

5.1.2. Decline in construction and mining sector or economic conditions

A decline in regional and global construction and mining volumes or recessionary economic conditions may adversely affect our financial performance. A number of our clients operate in the construction and mining sectors. These sectors can be affected by various economic and political factors as well as general economic conditions. Any downturns in construction activity or declines in commodity prices could negatively impact client demand for our solution and therefore adversely impact our operating and financial performance.

There is also a risk that a downturn in economic conditions could negatively impact our clients, therefore reducing their usage of our solution. This may adversely impact our business, financial performance and operations.

5.1.3. Lack of success of sales and marketing strategy

Our business is partly dependent on the conversion of client sales from investment in sales and marketing campaigns and initiatives, which is expected to continue to increase as our business grows. Promoting awareness of our brand and reputation is critical to our success as an integrated, SaaS-based workforce management solutions provider. We may not realise benefits from such investments for several years or may not realise benefits from such investments at all. Failure to realise the intended benefits from sales and marketing investment could negatively impact our ability to attract new clients and may adversely impact our operating and financial performance.

5.1.4. Increased competitive pressures

We compete against other single and multi-point workforce management solution providers, as well as with global enterprise software companies and in-house developed solutions. The broader workforce management solutions market is evolving, fragmented along product and geographical lines and becoming increasingly competitive. In addition, some of our existing and potential competitors have significantly more financial and operational resources than ourselves.

We face the risk that:

- we fail to increase adoption and usage of our solution compared to that of our competitors;
- our solution fails to meet the expectations of our clients or we fail to implement changes to satisfy the changing expectations of our clients, relative to our competitors;
- we fail to anticipate and adapt to technology changes as quickly as our competitors;
- technological advancements could make our products obsolete;
- our competitors enhance their product offering to improve their competitive positioning relative to ourselves by increasing the functionality of their solutions or increasing the number of modules they offer to clients;
- existing or potential competitors increase their market share through aggressive marketing campaigns, product innovation or development, improved functionality, price discounting or acquisitions;
- new entrants into the workforce management solutions market could develop solutions which compete directly with Damstra; and
- in-house developed solutions may become preferred to outsourced workforce management solutions.

If any of these risks arise, we may compete less effectively against our competitors which could reduce our market share and our ability to develop or secure new clients. This could have an adverse impact on our business, operations and financial performance.

5.1.5. Loss of key contracts and arrangements

Our business relies on a number of key contracts and arrangements, including both customer and supplier contracts. For example, our top five clients (by revenue in FY2019) contributed greater than 50% of total licence and hardware fees received in FY2019, with our top two clients having contributed to approximately 35% of total licence and hardware fees received in FY2019.

Any failure to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a party (including ourselves) to perform its obligations under such contracts or arrangements, could have a material adverse effect on our business, operations and financial performance. There is a risk that we may lose key contracts and arrangements for a variety of reasons. Certain key contracts and arrangements may be terminated by the counterparty for convenience. In these cases, we may not have contractual certainty in respect of the term of the relevant contract or arrangement or the operation of such contract or arrangement. As a result, these contracts and arrangements may give rise to a greater risk of unexpected termination or renegotiation of key commercial terms, or disputes. In addition, there is a risk that we may lose key contracts and arrangements due to a breach of contract by either the relevant counterparty or ourselves. In particular, certain key contracts and arrangements contain change of control clauses which will or may be triggered by this Prospectus, the Offer or a future change in ownership. Unless the necessary consents or waivers of the relevant counterparties are obtained, such counterparties may seek to exercise or enforce rights under or in respect of the relevant contracts or arrangements, including rights of termination and/or damages claims for breach of contract. The enforcement of such rights may have an adverse impact on our revenue and financial performance.

5.1.6. Pricing risk

We primarily generate revenue by charging annual hardware and software subscription fees to our clients for the length of their contract, based on the type of products or modules chosen by the client and the number of licences they require. Upon expiry of their contract, our clients may try to renegotiate contract terms for more favourable provisions including price discounts which would result in a direct reduction in the payments they make to us and have a negative impact on our financial performance. While Damstra may resist such attempts to renegotiate prices, business economics, market conditions or competitive forces may dictate such terms need to be accepted.

5.1.7. Reliance on uptake of SaaS-based workforce management software solutions

Our future revenue growth depends, in part, on the increasing adoption of SaaS-based workforce management software solutions. It may be difficult for us to persuade potential clients to change existing on-premise, manual paper-based or point solutions and adopt our integrated hardware and software solutions. If our solutions are not accepted or used by more organisations or if the market for such solutions fails to grow as expected, our platform could be adversely affected and revenue growth may slow, which could negatively impact our business, operations and financial performance.

5.1.8. Operations in foreign jurisdictions or unfamiliar markets

We currently operate in certain overseas jurisdictions and are seeking to expand into various other foreign countries (including Ghana and Peru). These foreign jurisdictions may be subject to a range of different legal and regulatory regimes. As we expand our presence into international jurisdictions, we will be subject to the risks associated with doing business in regions which may have political, legal and economic instability or less sophisticated legal and regulatory systems, including (i) unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements; (ii) less sophisticated technology standards; (iii) difficulties engaging local resources; and (iv) potential for political upheaval or civil unrest which could have a material adverse effect on our business, operations and financial performance.

In addition, there is a risk that we may fail to understand the laws, regulations and business customs of these regions. There is also a risk that we could face legal, tax or regulatory sanctions or reputational damage as a result of any failure to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of conduct and standards of good practice. This gives rise to risks including, but not limited to, labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which we currently or may operate. A breach in any of these areas could result in fines or penalties, the payment of compensation or the cancellation or suspension of our ability to carry on certain activities or product offerings could interrupt or adversely affect parts of our business and may have an adverse effect on our business, operations and financial performance.

5.1.9. Failure to adequately maintain and develop our workplace management solution

Our business model depends on our ability to continue to ensure that clients are satisfied with our workplace management solution. There is a risk that we fail to maintain our workplace management system adequately, or that updates may introduce errors and/or performance issues, causing client satisfaction in our solution to fall. Client satisfaction may also fall as a result of real or perceived reductions in functionality, product quality, reliability, cost-effectiveness or client support for our solution, or a failure to accommodate and reflect changes and developments in technology and in the commercial, compliance and regulatory environment. Any of these factors may result in reduced sales and usage, loss of clients, damage to our reputation, an inability to attract new clients and potential claims for compensation.

Our future growth may also depend on our ability to develop enhancements and new features for our solution so that it continues to satisfy client needs, attract new clients and generate additional revenue from increased usage. There is a risk that the development and introduction of new features and modules does not result in a successful outcome for us due to various reasons, including insufficient investment, unforeseen costs, poor performance and reliability, low client acceptance, existing competition or economic and market conditions. The failure to successfully develop new product features and modules may have a materially adverse impact on our future operations and financial performance.

5.1.10. Disruption or failure of technology systems and software

Both we and our clients are dependent on the performance, reliability and availability of our technology platforms, data centres and global communications systems (including servers, the internet, hosting services and the cloud environment in which we provide our products). There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber-attacks or other disruptions including natural disasters, power outages or other similar events. These events may be caused by events outside of our control, and may lead to prolonged disruption to our platform, or operational or business delays and damage to our reputation. This could potentially lead to a loss of clients, legal claims by clients, and an inability to attract new clients, any of which could have a materially adverse impact on our business, operations and financial performance.

5.1.11. Cyber security incidents

The use of information technology is critical to our ability to deliver our products and services to clients and the growth of our business. It is possible that the measures we take to prevent technology breaches may prove to be inadequate which may result in cyber-attacks, unauthorised access to data, financial theft and disruption to business-as-usual services. Any accidental or deliberate security breaches or other unauthorised access to our information technology systems or client data may result in reputational damage, a loss of confidence in the services we provide, a disruption of services to clients, claims by clients, loss of clients, theft, misappropriation of funds, legal action and regulatory scrutiny. We may also incur costs as a result of rectifying system vulnerabilities or introducing additional safeguards to minimise the risk of future security breaches. Any of these events could adversely impact our reputation, business and financial performance.

In addition, our products involve the storage and transmission of our clients' confidential and proprietary data including intellectual property, confidential business information, information regarding the employees and subcontractors of our clients and other confidential information. Our business could be materially impacted by security breaches in respect of our clients' data by unauthorised access, theft, destruction, loss of information, misappropriation, misrepresentation or release of confidential client data. There is also a risk that any measures we take may not be sufficient to prevent or detect unauthorised access to, or disclosure of, such confidential or proprietary data. Any of these events could cause a material disruption to our business and operations. This may also expose us to reputational damage, legal claims by clients, regulatory investigations or fines and termination of contracts, any of which could materially impact our operating and financial performance. There is no guarantee that insurance will be adequate to cover potential financial exposures for one of more of these circumstances.

Finally, any security or data issues experienced by other cloud software companies globally could adversely impact clients' trust in could solutions generally and could adversely affect our ability to migrate clients to our cloud platform.

5.1.12. Failure to realise benefits from research and development

We have invested significantly in research and development over the last 17 years, and we expect to continue to do so in the future in order to further expand and improve our solution and to maintain our competitive position.

When investing in research and development we make certain assumptions about the expected future benefits generated by our investment and the expected timeframe in which such benefits may be realised. These assumptions are subject to change and involve both known and unknown risks that are beyond our control. Any change to these assumptions may have an adverse impact on our ability to realise benefits from innovation and product development related costs.

5.1.13. Failure to manage growth

We have experienced a period of considerable growth in revenue, employee numbers and users of the solution. Based on our projections, we expect further growth in the future which could place strain on current management, operational and finance resources as well as the infrastructure supporting our solution. Failure to appropriately manage growth could result in failure to retain existing clients and a failure to attract new clients, which could adversely affect our operating and financial performance.

5.1.14. Reliance on third party information technology suppliers

We rely on certain contracts with third party suppliers, to maintain and support our information technology infrastructure, particularly related to our cloud services. In particular, we rely on third party suppliers for the provision of database and software infrastructure. Any failure or disruption to the services provided from or termination of contracts for any reason with third party service providers could negatively impact our operating and financial performance. It could also expose us to claims for loss and damage from our clients that may exceed the amounts that we are entitled to recover from the third party service providers.

5.1.15. Platform capacity

Clients' use of our solution can vary from time to time depending on each client's business requirements. There is a risk that at any one time, a spike in utilisation volumes could mean that demand for our products exceeds the capacity of our platform and infrastructure capability, which in turn could result in a service outage, loss of client data or the inability for workers to access certain sites. The failure to manage these risks could result in client dissatisfaction and make it more difficult to attract new clients, thereby having an adverse impact on our operations and financial performance.

5.1.16. Failure to protect our intellectual property rights

The value of our solution is dependent on our ability to protect our intellectual property, including business processes, know-how, copyrights and trademarks. There is a risk that we may be unable to detect the unauthorised use of intellectual property rights in all instances. In addition, actions to protect our intellectual property may not be adequate or enforceable and this may not prevent the misappropriation of our intellectual property and proprietary information. A breach of our intellectual property may result in the need for us to commence legal action which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions or may ultimately prove unfavourable to us. Our failure to protect our intellectual property rights could have an adverse impact on our operations and financial performance.

5.1.17. Breach of third party intellectual property rights

There is a risk that third parties may allege that our products use intellectual property derived by them or from their products without their consent or permission. We may be the subject of claims which could lead to disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have an adverse impact on our operations, reputation and financial performance.

5.1.18. Inability to attract or retain key personnel

Our success is dependent upon the ongoing retention of key personnel, including the current CEO, Christian Damstra, the current Executive Chairman, Johannes Risseeuw, as well as members of the senior management and product teams. There is a risk that we may not be able to attract and retain key personnel or be able to find effective replacements for key personnel in a timely manner. The loss of such personnel, or any delay in their replacement, could have a material adverse impact on management's ability to operate the business and achieve our growth strategies and prospects, including through the development and commercialisation of new solutions or modules. The loss of key personnel could also have an adverse impact on our operations and financial performance, and result in the potential loss of key client relationships and business process knowledge.

5.1.19. Compliance with laws and regulations

Our business is subject to a range of laws and regulations, including in relation to privacy and data protection as well as other matters. Many of these laws and regulations are constantly evolving and are subject to change and uncertain interpretation. In addition, new laws and regulations may be implemented in the future that could impact our business. While we are increasingly focusing attention on the development of internal compliance with legal and regulatory requirements, these processes may not ensure compliance with all relevant laws and regulations across all the jurisdictions in which we operate. It is also possible that our developing compliance structures may not yet be or become sufficient to enable our business to address the changing regulatory environment and any changing expectations from government regulators. Any past, current or future violations of applicable laws and regulations (whether in or outside of Australia) may have a material adverse effect on our reputation, financial performance and business operations. There is also a risk that changes to the legal and regulatory environment which affects our business may require us to incur additional costs in order to comply with those laws and regulations.

5.1.20. Litigation, claims, disputes and regulatory investigations

We have offices, agreements or arrangements with employees, clients and suppliers in several jurisdictions around the world. These arrangements and our activities in relation to them may be subject to local laws which differ from jurisdiction to jurisdiction. There is a risk we may be subject to litigation and other claims and disputes in the course of our business, including contractual disputes and indemnity claims, misleading and deceptive conduct claims, intellectual property disputes and employment-related claims. There is also a risk we may be subject to regulatory investigations and sanctions or fines by governmental agencies in the event of non-compliance with relevant statutory or regulatory requirements. Such investigations, sanctions or fines may be as a result of how we employ people (for example whether we appropriately characterise people as employees or contractors and have paid or withheld appropriate amounts of tax, or occupational health and safety investigations) or how we advertise our products, or in relation to licensing or other compliance requirements.

Such litigation, claims, disputes or investigations, including the costs of settling claims or paying sanctions or fines, and any associated operational impacts, may be costly and damaging to our reputation and business relationships, any of which could have an adverse effect on our financial performance, position or industry standing.

5.1.21. Foreign exchange fluctuations

Our financial statements are presented in Australian dollars. We have a portion of current sales revenue denominated in currencies other than the Australian dollar, most notably U.S. dollars. As a result, our revenue is increasingly sensitive to movements in the exchange rate between the U.S. dollar and Australian dollar. The proportion of revenue denominated in currencies other than the Australian dollar may increase over time as we continue to grow and expand into overseas jurisdictions. At present, we do not hedge this exposure, and as a result any changes in the exchange rates in the jurisdictions in which we operate may adversely impact our business, operations and financial performance.

5.1.22. Due diligence, warranty and integration risks associated with business acquisitions

We have recently completed strategic acquisitions of both EIFY and Velpic and may seek to undertake further acquisitions in the future. While we will attempt to undertake all reasonable and appropriate due diligence in respect of any acquisition opportunities, there is a risk that our due diligence and analysis may be incomplete or inaccurate, warranties or indemnities cannot be obtained, or that the benefits and synergies we anticipate from such acquisitions may not be realised due to a variety of factors. While we will endeavour to obtain customary warranties and indemnities in relevant transaction documentation, there is a risk that potential issues are subsequently uncovered and that these risks cannot be fully mitigated by such contractual protections. If an unforeseen liability arises in respect of which we are not able to rely on contractual protections, this may adversely affect our financial and operating performance.

We intend to integrate strategic acquisitions, which includes the process of transitioning clients of the acquired business onto our solution. There is a risk that clients of acquired businesses do not successfully transition onto our solution (which may be due to their unwillingness to pay a higher price for our services), or do not believe there is an operational need to make the change. There is also a risk that the transition process requires significantly more financial and management resources, or time to complete, than originally planned.

Future expansion by acquisition may be affected by factors beyond our control, which may result in there being limited or unsuitable acquisition opportunities at the relevant time. There can be no assurance that suitable future acquisition opportunities will arise, or if they do arise, that they will be able to be made on acceptable terms. In addition, there is a risk that the acquisitions may fail to meet our strategic and financial objectives, generate the synergies and benefits that we expected, or provide an adequate return on the purchase price and resources invested in them. This may occur due to a variety of factors, including poor market conditions, poor integration of personnel, personnel losses, client losses, technology impacts or other integration barriers.

Any of the above factors, either individually or in combination, may have an adverse effect on our future operations and financial performance.

5.1.23. Failure to keep abreast of changes in political, compliance and regulatory environments

Our business is influenced and affected by global laws and government policy. There is a risk that we may fail to keep abreast of these potential changes, which could have an adverse impact on our business and operations. In particular, global laws and regulations regarding data privacy and internet regulation are continuing to evolve. Any new or altered laws or regulations which affect our business could require us to increase spending and employee resources on regulatory compliance and/or change our business practices, which could adversely affect our operations and profitability. Further, there is a risk that clients reduce their usage of our products, or we fail to attract new clients, if we fail to build into our product appropriate coverage of existing compliance or regulatory requirements sought by our clients which we do not currently cover or features or innovation which adequately address changes and developments in compliance and regulatory requirements.

5.1.24. Ability to access capital markets or refinance debt on attractive terms

We have historically relied on debt and equity funding to help fund our business operations. Our Banking Facilities will require refinancing in the future. We may also seek to raise additional debt finance or new equity in the future to maintain or grow our business. Any deterioration in the level of liquidity in the debt and equity markets may prevent us from being able to refinance some or all of our debt on favourable terms (if at all), or raise new equity. This may adversely impact our business, operating and financial performance.

5.2. GENERAL RISKS OF AN INVESTMENT IN SHARES

5.2.1. Price of Shares may fluctuate

Once Damstra becomes a publicly listed company on the ASX, we will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in our Share price that are not explained by our fundamental operations and activities.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of Shares will increase following quotation on the ASX, even if our earnings increase. Some of the factors which may adversely impact the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including gross domestic product growth, interest rates, inflation rates, foreign currency fluctuations, commodity and oil prices, changes to fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, variations in sector performance (which may lead to investors exiting one sector in preference for another), initiatives by other sector participants (which may lead to investors switching from one stock to another), the nature of the markets in which we operate and general operational and business risks.

Deterioration of general economic conditions may also affect our business operations, and the consequent returns from an investment in Shares.

5.2.2. Trading in Shares might not be liquid

There is currently no public market through which Shares may be sold. There can be no guarantee that an active market for Shares will develop or that the price of Shares will increase following Completion. There may be relatively few potential buyers or sellers of Shares on the ASX at any time.

This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

Upon Completion of the Offer, the Existing Shareholders of the Company will hold approximately 60.1% of the total issued capital of the Company.[29] Of these Shares, 44.8% of total issued capital of the Company is expected to be the subject of escrow restrictions,[30] as described in Section 6.4. During the relevant escrow periods, the existence of such escrow arrangements may adversely affect the market price of Shares. Also, following the end of the relevant escrow periods, a significant sale of Shares by the Escrowed Shareholders, or the perception that such sales might occur following the relevant escrow periods, could adversely affect the market price of the Shares.

5.2.3. Inability to pay dividends

Our ability to pay dividends or make other distributions in the future is contingent on our profits and certain other factors, including the capital and operational expenditure requirements of the business. Therefore, there is no assurance that dividends will be paid. Moreover, to the extent that we pay any dividends, our ability to offer fully franked dividends is contingent on making taxable profits. Our taxable profits may be difficult to predict, making the payment of franked dividends unpredictable.

The value of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.2.4. Shareholder dilution

In the future, we may elect to issue Shares (including pursuant to incentive arrangements) or engage in fundraising activities for a variety of reasons, including to fund acquisitions or growth initiatives. While we will be subject to the constraints of the ASX Listing Rules regarding the percentage of our capital that we are able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as result of such issues of Shares and fundraisings.

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[29] A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes. Shareholdings of Existing Shareholders excludes any Shares acquired under the Offer.

[30] A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes. Shareholdings of Escrowed Shareholders excludes any Shares acquired under the Offer, which, for the avoidance of doubt, will also be subject to voluntary escrow arrangements (other than in the case of Morgan Hurwitz).

5.2.5. Changes in tax rules or regulations

Tax laws may change in the future. Any changes to the current rates of taxes imposed on us are likely to affect returns to Shareholders. An interpretation of tax laws by the ATO, or any other relevant authority or body, that is contrary to our views of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets or liabilities in our financial statements. In addition, any change in tax rules could have a material adverse effect on the level of dividend franking and Shareholder returns.

5.2.6. Australian Accounting Standards may change

AAS are issued by the AASB and are not within our control. The AASB may, from time to time, introduce new or refined AAS, which may affect future measurement and recognition of key statement of profit or loss and balance sheet items.

There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss or balance sheet items, may differ. Any changes to the AAS or to the interpretation of those standards may have a material adverse effect on our reported financial performance and position.

5.2.7. Force majeure events may occur

Events may occur within or outside Australia that negatively impact global, Australian or other local economies relevant to our financial performance, operations and/or the price of Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that may have a material adverse effect on our supply chain, the demand for our products and our ability to conduct business.

5.2.8. Expected future events may not occur

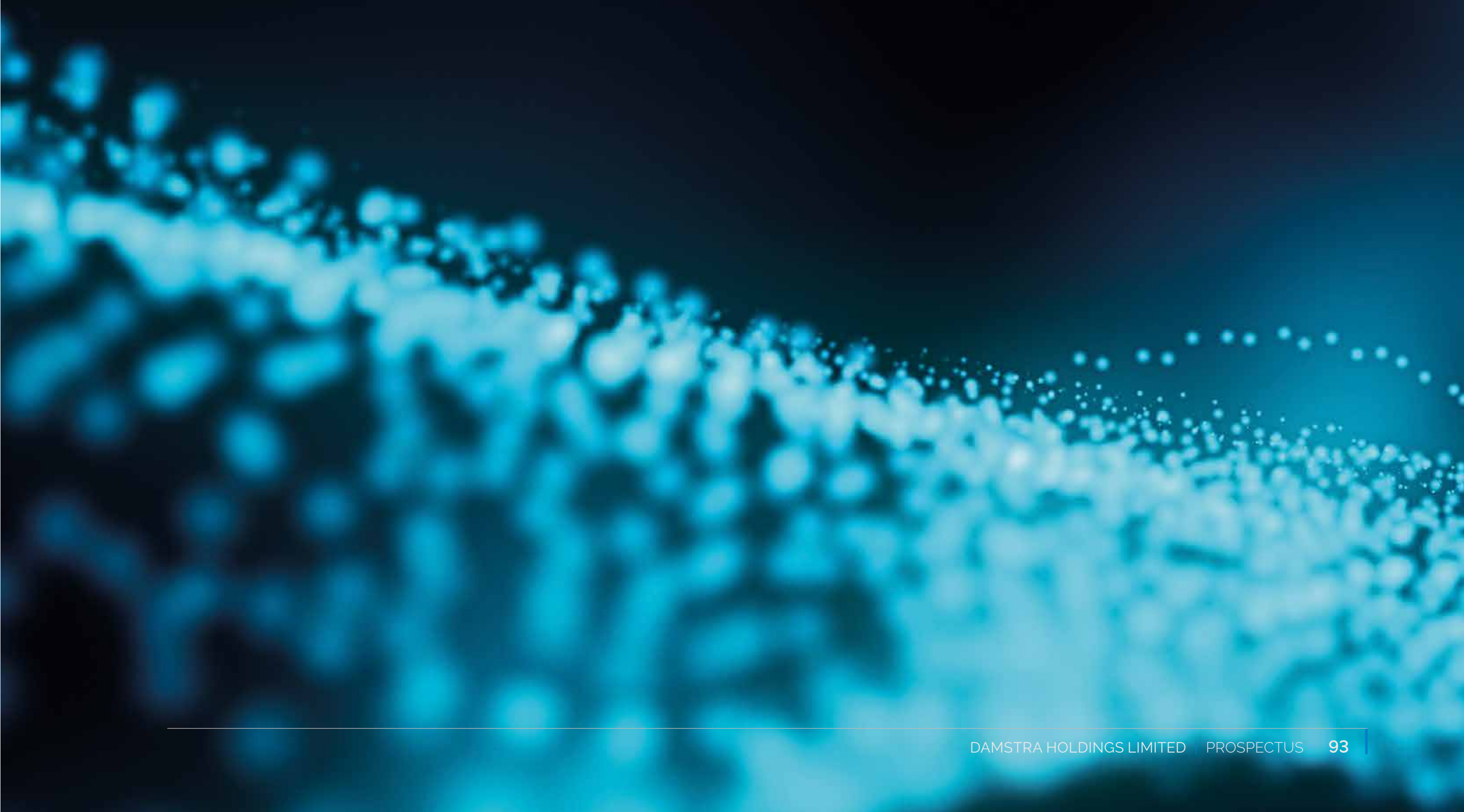
Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by Damstra, SaleCo or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

5.2.9. Interest rate fluctuations

Changes in interest rates will affect borrowings which bear interest at floating rates. Any increase in interest rates will affect our costs of servicing borrowings and may affect the relative strength of the Australian and the U.S. dollar, each of which could materially and adversely affect its financial performance and position.

6

KEY PEOPLE, INTERESTS AND BENEFITS



6 KEY PEOPLE, INTERESTS AND BENEFITS

6.1. BOARD OF DIRECTORS

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

Table 25: Damstra's Board of Directors

	DIRECTOR, EXPERIENCE AND BACKGROUND
	**Johannes Risseeuw** *Chairman and Executive Director* • Johannes joined Damstra in 2012 and has held the role of Executive Chairman since 2017 • Former Vice President, Mergers & Acquisitions, Asia Pacific at Shell, where he drove billion dollar plus transactions across Australia, Singapore, Hong Kong, Malaysia and the Middle East • Previously Chief Investment Officer of Questus Energy, focused on the acquisition and management of oil and gas assets, and Chief Operating Officer at Skilled Group • Johannes holds a Bachelor of Economics from the University of Sydney and Graduate Diploma of Applied Finance from Kaplan
	**Christian Damstra** *Executive Director and Chief Executive Officer* • Christian joined Damstra in 2002 as General Manager, after Christian's father founded Damstra Mining Services (a predecessor for the Company) while undertaking contract work in the mining industry • Christian managed Damstra as a technology company as part of Skilled Group, before leading a management buyout of the Company in 2016 along with Johannes Risseeuw • Prior to joining Damstra, Christian ran his own business consulting to the mining industry and is a holder of an Open Cut Examiner Certificate of Competency • Christian holds a Diploma of Electrical Engineering from TAFE New South Wales
	**Drew Fairchild** *Independent Non-Executive Director* • Drew joined Damstra as a Non-Executive Director in 2016 • Drew has more than 20 years' experience as a Chief Financial Officer and entrepreneur, having commenced his career with Shell Australia, becoming Finance Director and a member of the Board • Prior to his appointment as a Non-Executive Director, Drew assisted Damstra as an adviser during the buyout of Damstra from the Programmed Group • Prior to joining Damstra, Drew worked as a Chief Financial Officer within both Fulton Hogan and Cleanaway, and founded an oil and gas investment fund which was sponsored by Intermediate Capital Group plc • Drew holds a Bachelor of Business from Monash University, a Masters of Applied Finance from Melbourne University, and is a graduate of the Group Business Leadership Program (Insead)

	DIRECTOR, EXPERIENCE AND BACKGROUND
	**Morgan Hurwitz** *Independent Non-Executive Director* • Morgan joined Damstra as a Non-Executive Director in 2016 • Morgan is a senior IT executive with over 25 years' experience developing technology strategies and implementing technology across a range of industries in Australia and internationally • Prior to joining Damstra, Morgan was the President of Supply Chain and Chief Information Officer at Linfox, global Chief Information Officer at Orica Limited, and held a number of senior IT roles within Shell in Melbourne and London • Morgan holds a Bachelor of Arts from Monash University, and is a graduate of the Australian Institute of Company Directors
	**Simon Yencken** *Independent Non-Executive Director* • Simon joined Damstra as a Non-Executive Director in 2019 • Simon is the Chief Executive Officer and founder of Fanplayr, which uses behavioural personalization to increase user engagement with and performance of websites • Prior to joining Damstra, Simon was a Director of Aconex Limited for 10 years (including Chairman between 2011 and 2014). Aconex is a provider of cloud collaboration software for the construction industry, which was acquired by Oracle in 2018 for approximately US$1.2 billion • Simon is an active investor in start-up technology companies, including Matrak Industries, Moda Operandi, and Dokio • Simon holds a Bachelor of Laws from Monash University and Bachelor of Science (Mathematics) from Monash University

6.2. SENIOR EXECUTIVE TEAM

Table 26: Damstra's senior executive team

	EXECUTIVE, EXPERIENCE AND BACKGROUND
	**Christian Damstra** *Executive Director and Chief Executive Officer* • See Section 6.1
	**Johannes Risseeuw** *Chairman and Executive Director* • See Section 6.1

6 KEY PEOPLE, INTERESTS AND BENEFITS

EXECUTIVE, EXPERIENCE AND BACKGROUND

Chris Scholtz

Chief Financial Officer and Company Secretary

- Chris joined Damstra in 2014, and became Chief Financial Officer in 2016
- Prior to joining Damstra, Chris was Chief Financial Officer and General Manager of Finance within Skilled Group, and was Head of Finance at Kell & Rigby Pty Limited
- Chris commenced his career within the audit division of KPMG in South Africa
- Chris holds a Bachelor of Commerce (Honours) from the University of Johannesburg, and is a practising member of the Institute of Chartered Accountants in South Africa, Australia and New Zealand

Katja Voegele

Chief Product and Marketing Officer

- Katja joined Damstra in 2018 as Chief Product and Marketing Officer following the acquisition of Velpic
- Katja has over 20 years of experience leading strategy, product and marketing, having worked in a range of industries including telecommunications, media, and SaaS
- Prior to joining Damstra, Katja was the Chief Marketing Officer at Velpic. Prior to working for Velpic, Katja held numerous roles including with Telstra (most recently as Director, Segment Marketing), Hutchins Telecoms and a number of software businesses
- Katja holds a degree specialising in business strategy, marketing and statistics from Tuebingen University (Diplom-Kauffmann)

Solenia Cioppa

Chief Business Development Officer

- Solenia joined Damstra in 2018 as Chief Business Development Officer
- Prior to joining Damstra, Solenia spent 13 years with Kronos in Australia across multiple roles (including Director of Pre-Sales, Cloud and Solution Design, Customer Development Manager and Pre-Sales Consultant)
- Prior to joining Kronos, Solenia spent five years with SITA Environmental Solutions across multiple roles focused on human resources and payroll technology

Damien Camilleri

Chief Technology Officer

- Damien joined Damstra in 2018 as Chief Technology Officer
- Damien has over 15 years' experience across multiple software development roles, and across both internet-based and mobile technologies
- Prior to joining Damstra, Damien was the Chief Technology Officer of EIFY, and Development Manager for IPG Group Limited
- Damien holds a Diploma in Electrical Engineering from TAFE New South Wales, and also holds qualifications as a Certified Information Systems Security Professional, and holds a qualification from the International Information System Security Certification Consortium (ISC2)

	EXECUTIVE, EXPERIENCE AND BACKGROUND
	Sebastian Culbert *Global Operations Manager* • Sebastian joined Damstra in 2018 as Global Operations Manager • Sebastian has over 10 years' experience working with SaaS platforms and in technology operations roles across multiple organisations, most recently as the Operations Manager of EIFY • Prior to joining Damstra, Sebastian had experience working in technology roles across a broad range of industries, including construction, manufacturing, mining and government, and has experience in customising and designing technology solutions to meet complex client needs
	David Richards *Head of Implementation* • David joined Damstra as the Head of Implementation in 2016 • David has over 20 years of technology-linked experience in a variety of industries including publishing, legal and regulatory, investment banking, retail, e-commerce, mining and workforce management • Prior to joining Damstra, David was a Project Manager with UBS, leading the unified communications team within the Asia Pacific region. He has also had experience with Thomson Reuters and Buy.com
	Carlie Hodges *Company Secretary* • Carlie has held the role as Company Secretary of Damstra since June 2019 • Carlie is a Manager of Corporate Governance at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies in Australia. In addition, she is an Associate at Coghlan Duffy & Co • Carlie is also Company Secretary of Murray River Organics Limited • Carlie holds a Bachelor of Science and Bachelor of Laws from Deakin University, a Master of Arts from King's College London, and is admitted as a solicitor in the state of Victoria

6.2.1. Directors disclosures

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

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

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

6.3. INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company or SaleCo; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

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

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

6.3.1. Interests and compensation of Directors

Prior to Completion, it is anticipated that Damstra will enter into new employment contracts with each of Christian Damstra, Johannes Risseeuw and Chris Scholtz. A summary of the terms of such new employment contracts is set out in Sections 6.3.1.1 to 6.3.1.3.

6.3.1.1 CEO compensation

Christian Damstra will continue to be employed by Damstra in the position of CEO. Christian will be paid US$301,074 per annum (inclusive of superannuation).[31] In addition, Christian will be entitled to receive a relocation allowance of US$103,007 per annum in relation to his relocation to the United States. Christian's remuneration will also include payment in respect of all services in connection with holding office as a Director or officer in any member of the Damstra group. Christian's employment may be terminated by either party upon providing six months' notice, or by Damstra making payment in lieu of notice for part or all of the notice period. Damstra may also terminate Christian's employment without notice for serious misconduct. Upon termination, Christian will be bound by a non-solicitation and non-compete restraint period of 12 months from the termination date. The enforceability of the restraint clause is subject to all usual legal requirements.

Christian is eligible to participate in the Pre-IPO Awards and the ExPost-IPO Awards. Details of the Pre-IPO Awards and the ExPost-IPO Awards are set out in Sections 6.3.2.3 and 6.3.2.4 (respectively).

6.3.1.2 Executive Chairman compensation

Johannes Risseeuw will continue to be employed by Damstra in the position of Executive Chairman. Johannes will be entitled to an annual total fixed remuneration of $380,000 per annum (inclusive of superannuation). Johannes' remuneration will also include payment in respect of all services in connection with holding office as a Director or officer in any member of the Damstra group. Johannes' employment may be terminated by either party upon providing six months' notice, or by Damstra making payment in lieu of notice for part or all of the notice period. Damstra may also terminate Johannes' employment without notice for serious misconduct. Upon termination, Johannes will be bound by a non-solicitation and non-compete restraint period of 12 months from the termination date. The enforceability of the restraint clause is subject to all usual legal requirements. Johannes is eligible to participate in the Pre-IPO Awards and the ExPost-IPO Awards. Details of the Pre-IPO Awards and the ExPost-IPO Awards are set out in Sections 6.3.2.3 and 6.3.2.4 (respectively).

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[31] Christian's salary was converted from the Australian dollar equivalent at a fixed rate of 77.2c at the time of relocation to the United States.

6.3.1.3 CFO compensation

Chris Scholtz will continue to be employed by Damstra in the position of CFO. Chris will be entitled to an annual total fixed remuneration of $292,500 per annum (inclusive of superannuation). Chris' employment may be terminated by either party upon providing six months' notice, or by Damstra making payment in lieu of notice for part or all of the notice period. Damstra may also terminate Chris' employment without notice for serious misconduct. Upon termination, Chris will be bound by a non-solicitation and non-compete restraint period of six months from the termination date. The enforceability of the restraint clause is subject to all usual legal requirements.

Chris is eligible to participate in the Pre-IPO Awards and the ExPost-IPO Awards. Details of the Pre-IPO Awards and the ExPost-IPO Awards are set out in Sections 6.3.2.3 and 6.3.2.4 (respectively).

6.3.1.4 Non-Executive Director appointment letters

Each of the Non-Executive Directors have entered into appointment letters with Damstra, confirming the terms of their appointment, their roles and responsibilities and our expectations of them as Directors.

6.3.1.5 Non-Executive Director compensation

Under the Constitution, the Directors decide the total amount paid to all Non-Executive Directors as remuneration for their services as a Director.

However, under the Constitution and ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company and approved by Shareholders for that purpose. This amount has been fixed by the Company at $600,000 per annum and any change to the aggregate sum will need to be approved by Shareholders.

The annual Non-Executive Directors' fees currently agreed to be paid by Damstra are $60,000 to each Non-Executive Director, plus superannuation at 9.5% of those fees. In addition, the Chair of the Audit and Risk Management Committee and the Chair of the Remuneration and Nomination Committee will be paid $10,000 per annum respectively. Non-Executive Directors who sit on each of the Audit and Risk Management Committee and the Remuneration and Nomination Committee will also be paid $5,000 per annum for each Committee membership that they hold. The Directors' fees do not include a commission on, or a percentage of, profits or income. All of these amounts are exclusive of superannuation contributions.

6.3.1.6 Deeds of access, insurance and indemnity

We have entered into a deed of access, insurance and indemnity with each Director that confirms the Director's right of access to certain books and records of Damstra (for the period from the earlier of the date the Director was appointed as a director of the Company and any other Australian incorporated subsidiary of the Company until seven years after the Director ceases to hold office of the Company) and requires us to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of an Australian incorporated subsidiary of the Company.

Each deed provides that the Company must indemnify the Director against any liability for reasonable legal costs and expenses the Director incurs in defending any claim or proceeding (civil or criminal) in respect of a liability incurred by the Director as a Director of the Company or an Australian incorporated subsidiary of the Company.

Under the deeds, we must arrange and maintain a directors' and officers' liability insurance policy for our Directors to the extent permitted by law (except to the extent such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company for reasons beyond the control of the Company and despite the Company using best endeavours to procure such insurance), maintain such insurance to the extent permitted by law for the period from the earlier of the date the Director was appointed as a director of the Company and any other Australian incorporated subsidiary of the Company until seven years (or, where run-off insurance cannot be procured at reasonable policy premiums, the latest date to which run-off insurance can be procured) after each Director ceases to hold office with the Company or an Australian incorporated subsidiary of the Company.

6.3.1.7 Directors' interests in Shares

The Directors are not required by the Constitution to hold any Shares.

The Directors' shareholdings as at the Prospectus Date and on Completion (excluding any Shares acquired under the Offer) are outlined below.

Table 27: Director shareholdings[1]

	SHAREHOLDING AT PROSPECTUS DATE		SHARES HELD ON COMPLETION	
	Shares	%	Shares	%[2]
Johannes Risseeuw	19,440,000	19.7%	18,340,000	13.3%
Christian Damstra	19,440,000	19.7%	18,890,000	13.7%
Drew Fairchild	9,840,000	10.0%	3,662,222	2.7%
Morgan Hurwitz	2,800,000	2.8%	2,800,000	2.0%

Notes:

1. Directors may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
2. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

The Directors are entitled to apply for Shares under the Offer. Simon Yencken intends to acquire 1,111,111 Shares representing a 0.8% shareholding immediately following Completion. The respective shareholdings of the Directors (including any Shares acquired under the Offer) will be notified to ASX in accordance with the ASX Listing Rules.

Refer to Section 6.3.2 in relation to Awards that may be issued to Directors.

6.3.1.8 Other information about Directors' interests and benefits

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to our affairs. Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or its subsidiaries. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.2. Description of our performance review process and incentive arrangements

6.3.2.1 Introduction

We maintain a flexible remuneration structure, with a mix of cash and equity incentives, for our senior management team and other eligible participants. Following Completion, such arrangements will be implemented which we consider to be appropriate for a listed company. The Board will continue to consider and review these arrangements and determine how they apply for FY2020 and beyond.

In order to facilitate these arrangements, the Board has adopted the equity arrangements referred to in this Section 6.3.2.

6.3.2.2 Equity incentive plan

We have established an equity incentive plan ("**EIP**") to assist in the motivation and retention of key employees, Directors and contractors through grants of equity-based incentives. The EIP is designed to align the interests of these key individuals with the interests of Shareholders by providing an opportunity for them to receive an equity interest in the Company.

The EIP permits the grant of the following types of awards:

- performance rights (which have a nil exercise price);
- options; and
- tax-exempt Shares,

The rules of the EIP and the offer documents provide the framework under which individual grants will operate. Table 28 provides a summary of how the EIP broadly operates, including future offers which may be made following Completion of the IPO.

Table 28: Summary of key terms of the EIP

ELEMENT	DESCRIPTION
Approval	The EIP was approved by the Board on 28 August 2019.
Type of securities	The EIP provides flexibility for the Company to grant options or performance rights (each an "**Award**") or tax-exempt Shares to eligible participants. • An Award is an entitlement to receive a Share upon satisfaction of the applicable vesting and exercise conditions, the exercise of the Award and the payment of an exercise price (if applicable). • A tax-exempt Share is a Share granted under the EIP on specific terms that may allow the holder to acquire that Share on a tax-exempt basis in Australia.
Grants and eligibility	• Awards and/or tax-exempt Shares may be granted under the EIP to eligible participants from time to time in the absolute discretion of the Board. • Eligible participants will include employees, Directors (including both executive and Non-Executive Directors), contractors and consultants of the Company and its subsidiaries, as selected by the Board from time to time. The Company expects, but is not obliged, to make offers in Australia in accordance with the requirements of ASIC Class Order 14/1000.
Issue price	No payment is required for the grant of Awards and/or tax-exempt Shares unless the Board determines otherwise.
Terms and conditions	The Board has the absolute discretion to determine the terms and conditions (including in relation to vesting, exercise forfeiture, disposal and pricing) on which it will make offers under the EIP and it may set different terms and conditions for different participants in the EIP.
Voting and dividend rights	Awards will not carry any voting or dividend rights. Tax-exempt Shares will be Shares in the Company and will carry the same voting and dividend rights as other Shares.
Issue, allocation or acquisition of Shares	• Subject to applicable laws, Shares to be delivered to participants upon the exercise of vested Awards or upon the grant of tax-exempt Shares may be issued by the Company, acquired on or off market and transferred, and/or allocated within an employee share trust. • The Company may, but is not obliged to, limit the manner in which it delivers Shares to a participant that has exercised an Award or is to be granted tax-exempt Shares. For example, to obtain the benefit of Listing Rule 10.15B, the Company may limit itself to only sourcing Shares from on-market to fulfil particular vested Awards and/or tax-exempt Share grants.
Quotation	Awards will not be quoted on ASX. The Company will apply in accordance with the ASX Listing Rules for official quotation of any Shares issued to a participant under the EIP.
Change of control event	If a change of control event occurs (or if the Board resolves for the purpose of the EIP that a change of control event will likely occur): • all of a participant's unvested Awards will be deemed to have vested on the date that the relevant event occurs, unless the Board determines otherwise in its absolute discretion; and • tax exempt Shares will be treated in the same manner as other ordinary Shares in the Company.
Employee share trust	The Company may operate an employee share trust in conjunction with the EIP. Participants that have Shares held in an employee share trust on an allocated basis are entitled to dividends paid on those Shares and to instruct the trustee how to exercise votes attaching to those Shares.

ELEMENT	DESCRIPTION
No transfer and no hedging	Subject to applicable laws and the ASX Listing Rules, without the prior approval of the Board: • Awards may not be sold, assigned, transferred, encumbered or otherwise dealt with other than in accordance with the Rules and the relevant invitation; and • participants may not enter into any arrangement which hedges or otherwise affects the participant's economic exposure to the Awards granted to them under the EIP.
Other terms	The EIP contains customary and usual terms having regard to Australian law and the ASX Listing Rules for dealing with the administration, variation and termination of the EIP (including in relation to the treatment of Awards and tax-exempt Shares in the event of a reorganisation of the Company's share capital structure, a rights issue or a bonus share issue).
Terms and conditions specific to Awards	
Vesting and exercise of Awards	• Awards will vest if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant (collectively the "**Vesting Conditions**") are satisfied or waived and the Company has given the participant a vesting notice. • Vested Awards will be exercisable if and to the extent that any applicable exercise conditions specified at the time of the grant (collectively the "**Exercise Conditions**") are satisfied or waived and the Company has given the participant a confirmation notice. If no Exercise Conditions apply to a grant of Awards, a vesting notice will be deemed to also be a confirmation notice.
Equity or cash settlement	The EIP has the flexibility for Awards to be settled in either Shares or cash. Cash settlement will only be available if the Company sets out in the terms and conditions of an invitation to participate in the EIP that cash settlement is available.
Exercise price	As a condition of the grant of Awards, the Board may require a participant to pay an exercise price to exercise those Awards.
Expiry date	Awards will be issued with an expiry date. If no date is specified, the expiry date will be the business day prior to the 15 year anniversary of the date of grant.
Lapse/forfeiture of Awards	The EIP contains provisions concerning the treatment of Awards and any Shares issued, allocated or transferred following the exercise of Awards, including without limitation in the event that: • a participant ceases employment or engagement with the Company or a subsidiary; • the Vesting Conditions or Exercise Conditions attaching to the relevant Awards are not satisfied or the Board forms the view they cannot be satisfied; • a participant acts fraudulently, dishonestly or wilfully breaches the obligations that they owe to the Company and its subsidiaries; • a participant becomes insolvent; • a participant materially breaches (without remedy) the obligations it owes the Company in respect of the EIP; • a participant's nominated affiliate has undergone a change of control without the prior written consent of the Board; and • the Awards are not exercised before the applicable expiry date.
Terms and conditions specific to tax-exempt Shares	
General	Tax-exempt Shares granted under the EIP will be subject to certain qualifying terms and conditions as set out in Division 83A of the *Income Tax Assessment Act 1997* (Cth) so as to allow the participant to potentially acquire those shares in on a tax-exempt basis in Australia.

6.3.2.3 Pre-IPO Awards

The purpose of the Awards to be granted prior to Completion of the Offer ("**Pre-IPO Awards**") is to reward executives and Non-Executive Directors for their contribution to the Company and performance achieved, prior to the Completion of the Offer. Following Completion of the Offer, there will be a total of 3,840,953 Options on issue pursuant to the Pre-IPO Awards, each of which will confer upon the relevant holder the right to be issued or transferred one Share upon the exercise of such an option. The terms of the Pre-IPO Awards are set out in Table 29:

Table 29: Summary of key terms of the Pre-IPO Awards

ELEMENT	DESCRIPTION
Eligibility	It is anticipated that certain key senior executives and Non-Executive Directors in Australia and the U.S. will participate in the offer of one-off Pre-IPO Awards. Eligibility to participate in the Pre-IPO Awards will be determined by the Board in its absolute discretion.
Award vehicle	• Certain key executives and Non-Executive Directors will be invited to apply for a grant of options under the rules of the EIP to acquire Shares in Damstra prior to or at the time of Completion of the Offer. • In relation to the Executive Chairman and the CEO, options will be granted with an exercise price set at a 70% premium to the value of the underlying Damstra Shares at the time of the grant (referred to as "**Premium-Priced Options**"). In relation to all other key executives and the Non-Executive Directors, options will be granted with a nil exercise price (referred to as "**Nil-Priced Options**"). • In all cases, participants will not have any dividend or voting right entitlements until the relevant Premium-Priced Options and/or Nil-Priced Options vest and are exercised and they have received Shares. • Unexercised Nil-Priced Options will expire on the earlier of the 15-year anniversary of the date of grant and, if (i) the participant ceases employment or office with Damstra, (ii) a change of control event occurs or (iii) the Board determines for the purposes of the EIP that a change of control event will likely occur, 30 days after the relevant event. • Unexercised Premium-Priced Options will expire on the earlier of the six-year anniversary of the date of grant and, if (i) the participant ceases employment or office with Damstra, (ii) a change of control event occurs or (iii) the Board determines for the purposes of the EIP that a change of control event will likely occur, 30 days after the relevant event. • Subject to any Damstra group policy (such as a share trading policy), a vested option may be exercised (or automatically exercised) once the relevant exercise restriction period (see below) has expired and before the expiry date of that option. • A vested Nil-Priced Option that has been exercised (or automatically exercised) may be settled by way of an issue, allocation or transfer of a Share or by way of a cash payment (equal to the value of a Share that would have been issued, allocated or transferred had the Nil-Priced Option been share settled). • A vested Premium-Priced Option that has been exercised (or automatically exercised) may only be share settled by way of an issue, allocation or transfer of a Share (and not cash settled). • No post-exercise restrictions will apply (other than under any Damstra group policy or any escrow arrangements).

ELEMENT	DESCRIPTION
Quantum	The total number of options to be granted to each participant will be determined by dividing the dollar value of their Pre-IPO Awards offer by an "allocation price" (which is the fair market value of the relevant option at the time of grant, as determined by an independent value based on a Black-Scholes valuation methodology). The quantum to be offered to each participant will be determined by the Board. It is currently intended that an aggregate quantum of: • 982,143 Premium-Priced Options (being $275,000 worth of Premium-Priced Options) will be granted to each of the Executive Chairman and the CEO; • 200,000 Nil-Priced Options (being $180,000 worth of Nil-Priced Options) will be granted to each of the Executive Chairman and the CEO, and 260,000 Nil-Priced Options (being $234,000 worth of Nil-Priced Options) will be granted to other key executives in aggregate, relating to incentive payments for FY2018; • 816,667 Nil-Priced Options (being $735,000 worth of Nil-Priced Options) will be granted to other key executives in aggregate; and • 133,333 Nil-Priced Options (being $120,000 worth of Nil-Priced Options) will be granted to each of the Non-Executive Directors.
Vesting conditions	Options will vest provided that Completion of the Offer occurs within 12 months of the date of grant and provided the participant remains continuously employed with or engaged by Damstra until Completion.
Exercise restrictions	The Pre-IPO Awards will be subject to an exercise restriction period following vesting: • 50% of vested Pre-IPO Awards will be subject to an exercise restriction ending on the earliest of the following: – the 12-month anniversary of the vesting date; – the date on which the participant ceases to be employed or hold office with Damstra; or – the date on which a change of control event occurs or the Board determines for the purpose of the EIP that a change of control event will likely occur. • 50% of vested Pre-IPO Awards will be subject to an exercise restriction ending on the earliest of the following: – the 24-month anniversary of the vesting date; – the date on which the participant ceases to be employed or hold office with Damstra; or – the date on which a change of control event occurs or the Board determines for the purpose of the EIP that a change of control event will likely occur. Following the expiry of the applicable exercise restriction period (and subject to the application of any Damstra group policy), Australian participants' vested Pre-IPO Awards may be exercised at any time prior to the expiry date and U.S. participants' vested Pre-IPO Awards will be automatically exercised.

ELEMENT	DESCRIPTION
Cessation of employment/ office	• Where a participant ceases to be employed or hold office with Damstra in 'bad leaver' circumstances, all of their unvested options and vested (but unexercised) options will be forfeited and lapse unless the Board determines otherwise. – A participant will be considered to have ceased employment or office in 'bad leaver' circumstances if they cease their employment or office with Damstra due to their serious and wilful misconduct (including fraud or dishonesty), the material breach of their engagement agreement, the gross negligence in the performance of their duties, other conduct justifying the termination of their employment or office without notice or at common law or if they become ineligible to hold their office for the purposes of the Corporations Act. • Where a participant ceases to be employed or hold office with Damstra in 'good leaver' circumstances, all of their unvested options will be forfeited unless the Board determines otherwise and the participant will be entitled to retain all of their vested but unexercised options. – A participant will be considered to have ceased employment or office in 'good leaver' circumstances if either they have not ceased employment or office in 'bad leaver' circumstances, or the Board has determined to treat the participant as a 'good leaver' notwithstanding that they ceased employment or office in 'bad leaver' circumstances.
Change of control	Subject to the Board's discretion to determine an alternative treatment, if a change of control event occurs (or if the Board resolves for the purpose of the EIP that a change of control event will likely occur), all of the participant's unvested options will vest at the relevant time.

6.3.2.4 Executive post-IPO awards

Under the EIP, certain executives will be granted awards that combine both short and long-term incentives ("**ExPost-IPO Awards**"). Participants in the ExPost-IPO Awards have an annual incentive opportunity linked to the participant's total fixed remuneration. The value of the incentive opportunity that a participant will realise will be dependent on the participant's performance against certain company and individual key performance indicators ("**KPIs**") (as set by the Board) over the relevant financial year.

To the extent that the applicable KPIs are met, the value of the incentive opportunity (the "**ExPost-IPO Awards Outcome**") may be delivered via a cash payment and/or a grant of 'deferred equity instruments' (such as performance rights or options), at the Board's discretion.

A summary of the terms of the ExPost-IPO Awards are set out in Table 30:

Table 30: Summary of key terms of the ExPost-IPO Awards

EXECUTIVE	DESCRIPTION
Purpose	The purpose of the ExPost-IPO Awards is to promote individual accountability and high performance in team members through an opportunity to receive variable remuneration to be delivered in the form of cash and/or 'deferred equity instruments'.
Eligibility	Participation in the ExPost-IPO Awards will be open to key senior executives and other key employees in Australia and the U.S. at the Board's discretion. Non-Executive Directors will not be eligible to participate in the ExPost-IPO Awards.
Initial participation in the ExPost-IPO Awards	• It is intended that the KPIs for the initial opportunity under the ExPost-IPO Awards (on or around Completion of the Offer) will be in respect of the period from the date of Completion of the Offer to 30 June 2020. • Performance against the KPIs for the initial opportunity under the ExPost-IPO Awards will be determined following finalisation of Damstra's results for FY2020. • The Company will determinate at or around the time of the determination of performance, how much (if any) of the variable remuneration will be delivered in the form of deferred equity instruments rather than cash. • Currently, it is the Board's non-binding intention to deliver 33% of a participant's ExPost-IPO Awards Outcome in cash and 67% in 'deferred equity instruments' as follows: – 50% of the value of the deferred equity component of the ExPost-IPO Awards Outcome will be delivered in 'Premium-Priced Options'; and – the remaining 50% of the value of the deferred equity component of the ExPost-IPO Awards Outcome will be delivered in 'Nil-Priced Options'. • The row below titled 'Deferred equity instruments' contains further information about the 'Premium-Priced Options' and the 'Nil-Priced Options'. The number of options to be granted to each participant will be determined by dividing the dollar value of the relevant ExPost-IPO Awards Outcome portion by the fair value of the relevant options at the date of grant (based on a Black-Scholes valuation methodology).
Deferred equity instruments	**Premium-Priced Options** • The exercise price for Premium-Priced Options granted in relation to any deferred equity component of the initial ExPost-IPO Awards Outcome will be set at a 70% premium to a volume weighted average share price as at the date of grant. • It is intended that 25% of the Premium-Priced Options will be fully vested at grant and the remaining 75% of the Premium-Priced Options will vest in three equal tranches on the first, second and third anniversaries of the date of grant, contingent on the participant's continued employment at the relevant vesting date. • Unexercised Premium-Priced Options will expire on the earlier of the six year anniversary of the date of grant and, if the award holder ceases employment with the Group, 30 days after the cessation of their employment. • Subject to any Damstra group policy, all participants will be able to exercise their vested Premium-Priced Options before they expire by paying the exercise price. Vested Premium-Priced Options that are not exercised before the expiry date will lapse. • Premium-Priced Options may only be share settled (and not cash settled) meaning that one Share will be issued, allocated or transferred for each Premium-Priced Option that is exercised.

EXECUTIVE	DESCRIPTION
Deferred equity instruments continued	**Nil-Priced Options** • It is intended that 25% of the Nil-Priced Options will be fully vested at grant and the remaining 75% of the Nil-Priced Options will vest in three equal tranches on the first, second and third anniversaries of the date of grant, contingent on the participant's continued employment at the relevant vesting date. • Unexercised Nil-Priced Options will expire on the earlier of the 15 year anniversary of the date of grant and, if the award holder ceases employment with the Group, 30 days after the cessation of their employment. • Subject to any Damstra group policy, Australian participants' vested Nil-Priced Options may be exercised at any time before they expire and US participants' vested Nil-Priced Options will be automatically exercised. • Vested Nil-Priced Options that are not exercised (or automatically exercised) before the expiry date will lapse. • Vested Nil-Priced Options that are exercised (or automatically exercised) may be settled by way of an issue, allocation or transfer of Shares or by way of a cash payment (equal to the value of the Shares that would have been issued, allocated or transferred had the Nil-Priced Options been settled in Shares).
Quantum	The maximum value of the annual incentive opportunity will be expressed as a percentage of the participant's total fixed remuneration. Total annual fixed remuneration consists of base salary, employer superannuation contributions and salary sacrifice benefits. It is anticipated that the maximum ExPost-IPO Awards opportunity for the CEO and Executive Chairman will be 112% of total remuneration, and for the CFO will be 75% of total remuneration.
Frequency of grants	Damstra intends to offer participation in the ExPost-IPO Awards annually.
KPIs	Each participant's KPIs for a performance period will be documented, including: • the percentage weighting for each KPI; • threshold and stretch performance hurdles; and • the maximum variable remuneration opportunity, expressed as a percentage of total fixed remuneration. For executive Directors and senior staff, it is intended that 70% of the total opportunity will be based on company targets (including measures such as revenue growth) and 30% will be based on individual outcomes (including items such as customer attrition, operational efficiency, product development outcomes and commercialisation outcomes). For other staff, it is intended that 50% of the total opportunity will be based on company targets and 50% will be based on individual outcomes.

EXECUTIVE	DESCRIPTION
Cessation of employment	• If a participant ceases to be employed with Damstra prior to performance against KPIs being tested, they will not be entitled to receive any value in respect of their incentive opportunity under the ExPost-IPO Awards. • If a participant ceases to be employed with Damstra while they hold options, the treatment of those options will depend on the circumstances of the participant ceasing to be employed with Damstra. • Where a participant ceases to be employed with Damstra in 'bad leaver' circumstances, all of their unvested options and vested (but unexercised) options will be forfeited and lapse unless the Board determines otherwise. – A participant will be considered to have ceased employment in 'bad leaver' circumstances if they cease their employment with Damstra due to their serious and wilful misconduct (including fraud or dishonesty), the material breach of their employment agreement, the gross negligence in the performance of their duties or other conduct justifying the termination of their employment without notice or at common law. • Where a participant ceases to be employed with Damstra in 'good leaver' circumstances, all of their unvested options will be forfeited unless the Board determines otherwise, and they will be entitled to retain all of their vested but unexercised options. – A participant will be considered to have ceased employment in 'good leaver' circumstances if either they have not ceased employment in 'bad leaver' circumstances, or the Board has determined to treat the participant as a 'good leaver' notwithstanding that they ceased employment in 'bad leaver' circumstances.
Change of control event	Subject to the Board's discretion to determine an alternative treatment, if a change of control event occurs (or if the Board resolves for the purpose of the EIP that a change of control event will likely occur): • prior to performance against KPIs being tested, it is intended that the ExPost-IPO Awards Outcome will be accelerated based on estimated performance against the applicable KPIs at the time, prorated for the proportion of the performance period that has elapsed until that time and cash settled in its entirety; or • while a participant holds options, all options will vest at that time and, subject to any Damstra group policy (such as a share trading policy), be exercisable.

6.3.2.5 Non-Executive Director Post-IPO Awards

The purpose of the Non-Executive Director Post-IPO Awards ("**NED Post-IPO Awards**") to be granted under the EIP is to provide an opportunity for Non-Executive Directors to acquire Shares in the Company to further align their interests with the interests of the Shareholders. The complete terms of the NED Post-IPO Awards are set out in Table 31:

Table 31: Summary of key terms of the NED Post-IPO Awards

ELEMENT	DESCRIPTION
Eligibility	All Non-Executive Directors based in Australia and the U.S. may participate in the NED Post-IPO Awards.
Quantum and equity vehicle	• Non-Executive Directors can advise Damstra that they are willing for a portion (or all) of their future Board fees (excluding committee fees, if applicable) on a pre-tax basis for a set period of time (referred to as the "**Forgone Board Fees**") to be paid in the form of Nil-Priced Options. • The number of Nil-Priced Options to be granted to each Non-Executive Director will be determined by dividing the value of the Forgone Board Fees by a volume-weighted share price as at the date of grant (or, for the initial offer under the NED Post-IPO Awards, the Offer Price). • The Nil-Priced Options will vest in quarterly tranches and in accordance with the timing of Board fees which the Non-Executive Director would have otherwise been paid in respect of their Forgone Board Fees. • Unexercised but vested Nil-Priced Options will expire on the earlier of the 15-year anniversary of the date of grant and, if the Non-Executive Director ceases to hold office with Damstra, 30 days after the cessation of their office.
Timing	An initial grant of Nil-Priced Options will be made on or around the time of the Offer to those eligible Non-Executive Directors who have advised Damstra of their willingness to be paid their Forgone Board Fees in the form of Nil-Priced Options.
Exercise of options and settlement	• Subject to any Damstra group policy (such as a share trading policy), Australian Non-Executive Directors may exercise their vested Nil-Priced Options at any time prior to the expiry date and U.S. Non-Executive Directors' vested Nil-Priced Options will be automatically exercised. • Vested Nil-Priced Options that are exercised (or automatically exercised) may be settled by way of an issue, allocation or transfer of a Share or by way of a cash payment (equal to the value of a Shares that would have been issued, allocated or transferred had the Nil-Priced Options been settled in Shares).
Shares acquired on conversion of options	• On or around the date of grant, Non-Executive Directors will elect what disposal restriction will apply to the Shares they receive on the exercise of Nil-Priced Options. • Non-Executive Directors will then be restricted from disposing of the relevant Shares until the earlier of: – the expiry of the nominated disposal restriction period (see above); – the date the Non-Executive Director ceases office with Damstra; – the date the Board resolves for the purposes of the EIP that a change of control event will likely occur; and – the date a change of control event actually occurs. • If the restriction period ends at a time that the Non-Executive Director is prohibited from trading in Shares under the Company's share trading policy or applicable laws, the restriction period will continue until this prohibition ceases to apply.

ELEMENT	DESCRIPTION
Ceasing to be a Non-Executive Director	• Where a Non-Executive Director ceases to hold office with Damstra in 'bad leaver' circumstances, all of their unvested options and vested (but unexercised) options will be forfeited and lapse unless the Board determines otherwise. – A Non-Executive Director will be considered to have ceased office in 'bad leaver' circumstances if they cease office with Damstra due to their serious and wilful misconduct (including fraud or dishonesty), the material breach of their engagement agreement, the gross negligence in the performance of their duties, other conduct justifying the termination of their office without notice or at common law or if they become ineligible to hold their office for the purposes of the Corporations Act. • Where a Non-Executive Director ceases to hold office with Damstra in 'good leaver' circumstances, all of their unvested options will be forfeited unless the Board determines otherwise, and they will be entitled to retain all of their vested but unexercised options. – A participant will be considered to have ceased office in 'good leaver' circumstances if either they have not ceased office in 'bad leaver' circumstances, or the Board has determined to treat the participant as a 'good leaver' notwithstanding that they ceased office in 'bad leaver' circumstances.

6.3.3. Employee Gift Offer

The key terms of the Employee Gift Offer are set out in Section 7.5.

6.3.4. Interests of advisers

We have engaged the following professional advisers in relation to the Offer:

- Morgan Stanley Australia Securities Limited as Lead Manager to the Offer. We have paid, or agreed to pay, the Lead Manager the fees described in Section 9.5 for these services;
- Morgans Financial Limited has acted as Co-Manager to the Offer. We have paid, or agreed to pay, the Co-Manager, the fees described in Section 9.5 for these services;
- Gilbert + Tobin has acted as Australian legal adviser (other than in respect of taxation and stamp duty) to us in relation to the Offer. We have paid or agreed to pay, approximately $0.7m (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant and performed work in relation to due diligence enquiries in connection with the Offer. PricewaterhouseCoopers Securities Ltd has prepared the Independent Limited Assurance Report included in this Prospectus. We have paid, or agreed to pay, approximately $0.5m (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time-based charges;
- Frost & Sullivan Australia Pty Limited has acted as industry consultant in connection with the Offer. We have paid, or agreed to pay, less than $0.1m (excluding disbursements and GST) for these services up until the Prospectus Date; and
- RSM Australia Pty Ltd has acted as a tax adviser to us in relation to the Offer. We have paid or agreed to pay approximately $0.1m (excluding disbursements and GST) for those services up until the Prospectus Date.

The Lead Manager or their affiliates from time to time may in the future perform other investment banking and financial advisory services for us, our Shareholders or their respective affiliates. Further, in the ordinary course of their trading, brokerage and financing activities, the Lead Manager and their affiliates may act as a market maker or buy or sell securities issued by us or associated derivatives as principal or agent. Customary fees and commissions are expected to be paid for any such services in the future.

These amounts, and other expenses of the Offer, will be paid by us out of funds raised under the Offer or available cash (unless otherwise indicated). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

6.4. ESCROW

Shares held immediately following Completion by the Escrowed Shareholders (in the case of Morgan Hurwitz, other than any Shares acquired pursuant to the Offer) will be subject to voluntary escrow arrangements.

It is intended that a holding lock be applied to the Shares held by Escrowed Shareholders that are subject to escrow restrictions.

The Escrowed Shareholders have each entered into an escrow deed in respect of their escrowed Shares. This deed will prevent them from disposing of their escrowed Shares for the applicable escrow period. The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the escrowed Shares, encumbering or granting a security interest over the escrowed Shares, granting or exercising an option over the escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the escrowed Shares, or agreeing to do any of those things.

The escrow restrictions will apply to the Escrowed Shareholders as follows:

- in respect of Johannes Risseeuw and Christian Damstra: 12 months from Listing;
- in respect of Drew Fairchild, Morgan Hurwitz and Chris Scholtz: until the announcement of Company's financial results for FY2020 to the ASX; and
- in respect of Chris Hutchins, John & Susan Loosemore and Peter Sharpe: six months from Listing.

All of the Escrowed Shareholders may be released early from those escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their escrowed Shares if holders of at least half of the Shares the subject of the bid that are not escrowed Shares have accepted the takeover bid;
- the Escrowed Shareholders to tender their escrowed Shares into an acceptance facility established in connection with a takeover bid if holders of at least half of the Shares the subject of the bid that are not escrowed Shares have accepted the bid or tendered their Shares into the acceptance facility; and
- the escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger or acquisition by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, the Escrowed Shareholders may deal in any of their escrowed Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate, 61,602,222 Shares will be the subject of these escrow arrangements.[32] This is not expected to have an effect on the liquidity of trading in Shares on the ASX.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out below.

Table 32: Escrow overview

NAME OF ESCROWED SHAREHOLDER[1]	NUMBER OF SHARES HELD IN ESCROW[2]
Christian Damstra	18,890,000
Johannes Risseeuw	18,340,000
Drew Fairchild	3,662,222
Chris Hutchins	5,480,000
John and Susan Loosemore	6,540,000
Peter Sharpe	4,580,000
Morgan Hurwitz	2,800,000
Chris Scholtz	1,310,000

Notes:

1. Escrowed Shareholders may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
2. Excluding any Shares acquired under the Offer, which, for the avoidance of doubt, will also be subject to voluntary escrow arrangements (other than in the case of Morgan Hurwitz).

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[32] Excluding any Shares acquired under the Offer, which, for the avoidance of doubt, will also be subject to voluntary escrow arrangements.

6.5. CORPORATE GOVERNANCE

6.5.1. Overview

This Section 6.5.1 explains how the Board oversees the management of Damstra. The main policies and principles adopted by us, which will take effect from listing on ASX, are summarised below. Details of our key policies and principles and the charters for the Board and each of its committees will be available on our website https://workplace.damstratechnology.com from Listing.

The Board is responsible for our corporate governance, and accordingly is accountable for monitoring Damstra's business affairs and strategic direction, establishing policies and overseeing Damstra's operational and financial position and performance. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial returns, and sustaining our long-term growth and success. In conducting business in accordance with these objectives, the Board seeks to ensure that we are properly managed to protect and enhance Shareholder interests, and that we, our Directors, officers and staff operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Damstra, including adopting relevant internal controls, risk management processes and corporate governance policies, principles and practices having regard to the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the "**ASX Recommendations**") which it believes are appropriate for our business and which are designed to promote the responsible management and conduct of Damstra. The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, we are required to provide the statements below, and in our annual report will be required to provide a statement, disclosing the extent to which we intend not to follow the ASX Recommendations. Where Damstra does not follow a recommendation, we will identify the recommendation that has not been followed and give reasons for not following it.

6.5.2. Independence of Directors

To be judged independent, a Director must, in the opinion of the Board be free of any interest, position or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or any other person. The materiality of any relevant interest, position, association or relationship is determined on a case-by-case basis. The Board reviews the independence of each Director in light of information disclosed to the Board. In assessing independence, the Board will have regard to the factors set out in the ASX Recommendations.

The Board considers that each of Drew Fairchild, Morgan Hurwitz and Simon Yencken are independent Directors, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and each is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

Drew Fairchild, Morgan Hurwitz and Simon Yencken are expected to hold approximately 2.7%, 2.0% and 0.8% (respectively) of the Shares on Completion.[33] The Board (absent each of those Directors) has specifically taken these factors into account when considering whether Drew Fairchild, Morgan Hurwitz and Simon Yencken should be considered to be independent. The Board (absent each of those Directors) does not consider those factors to be sufficiently dominant or influential in the circumstances so as to conclude they are not independent or that their interests will be different to those of Shareholders with smaller stakes.

Christian Damstra (CEO) and Johannes Risseeuw (Executive Chairman) are not considered by the Board to fulfil the role of an independent Director. On this basis, the Board will consist of a majority of independent Directors.

The ASX Recommendations state that the Chair should be an independent Director. While Johannes Risseeuw is not an independent Director, the Board believes that Johannes Risseeuw, having performed the function of Chair since 2016, is the most appropriate person to lead the Board.

None of the Directors are nominees or representatives of the Lead Manager or other advisers named in this document.

The Board has considered our immediate requirements as we transition to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience after listing on ASX.

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[33] Excluding any Shares acquired under the Offer. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

6.5.3. Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, setting out (among other things):

- the composition of the Board;
- the roles and functions of the Board; and
- the delegation of authority by the Board to the management team and Board committees.

The responsibilities of the Board, as set down in the Board charter, include (among other things):

- defining the Company's purpose and approving the Company's strategies, budgets, major capital expenditure and business plans;
- appointing the CEO and other members of senior management, and evaluating their performance;
- overseeing management in its implementation of the Company's business model, achievement of the Company's strategic objectives and instilling the Company's values generally;
- ensuring that the Company acts legally and responsibly and in accordance with responsible ethical standards; and
- approving policies regarding disclosure and communications with the market and Shareholders.

The Board charter provides that the Board should be comprised of Directors with the appropriate mix of skills, experience, expertise and diversity that are relevant to the Company's businesses and the Board's responsibility.

The CEO has been delegated the authority and power to manage the Company and its business as within levels of authority specified by the Board from time to time. The CEO may delegate aspects of his or her authority and power, but remains accountable to the Board for the Company's performance and is required to report regularly to the Board.

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

The Board collectively, and each Director individually, has the right to seek independent professional advice, and subject to the approval of the Chairman (or where the Director seeking such advice is the Chairman, subject to the approval of the Chair of the Audit and Risk Committee).

6.5.4. Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established a number of committees that will continue to operate following listing on ASX, being:

- the Remuneration and Nomination Committee; and
- the Audit and Risk Management Committee.

6.5.4.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's nomination and remuneration policies and practices. The Remuneration and Nomination Committee will, to the extent practicable, comprise three Non-Executive Directors being Morgan Hurwitz (Chair), Drew Fairchild and Simon Yencken.

The Remuneration and Nomination Committee's responsibilities include reviewing:

- the size, composition and skills of the Board, and a process for the performance evaluation of the Board, the committees of the Board and individual Directors;
- the remuneration of the Non-Executive Directors;
- the appointment of, and succession of, the Chief Executive Officer and his or her direct reports;
- the remuneration packages (including fixed remuneration, incentive plans and any other benefits or arrangements) of the Chief Executive Officer and other members of senior management; and
- the administration and operation of equity and incentive plans.

6.5.4.2 Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions. The Audit and Risk Management Committee will comprise three Non-Executive Directors being Drew Fairchild (Chair), Morgan Hurwitz and Simon Yencken.

The Audit and Risk Committee's responsibilities include:

- reviewing the Company's financial statements and reports, and recommending such financial reports for consideration (and approval) by the Board;
- reviewing and monitoring the effectiveness of the Company's risk management strategy, policies, procedures and systems, including overseeing the Company's financial controls, systems and corporate reporting processes;
- overseeing the Company's engagement of, and the performance of, the external auditor and the external audit function, including managing the independence of the external auditor; and
- overseeing the Company's internal audit function.

The Audit and Risk Management Committee will comprise members who are financially literate (i.e. able to read and understand financial statements).

6.5.5. Corporate governance policies and principles

6.5.5.1 Continuous disclosure policy

As an ASX-listed entity, we will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to exceptions contained in the ASX Listing Rules, we will be required to disclose any information concerning Damstra which is not generally available and which a reasonable person would expect to have a material effect on the price or value of Shares.

We have adopted a continuous disclosure policy which establishes procedures aimed to help ensure that we comply with its disclosure obligations under the Corporations Act and ASX Listing Rules. The continuous disclosure policy also sets out procedures for dealing with external communications that seek to ensure, among other things, that market-sensitive information is first disclosed to the ASX before being communicated to external parties. Information will be communicated to Shareholders (and other stakeholders) through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements will be made available on our website at https://workplace.damstratechnology.com following the receipt of acknowledgements from the ASX that such information has been released to the market.

6.5.5.2 Securities trading policy

Damstra has adopted a securities trading policy that explains the types of conduct in relation to dealings in securities that are prohibited by law and establishes procedures for the buying and selling of securities that protect Directors, officers and employees of Damstra and any contractor and consultant to Damstra whose terms of engagement apply the securities trading policy to them ("**Damstra Person**") against the misuse of unpublished information which could materially affect the price or value of Damstra's securities. The securities trading policy provides that Damstra Persons must not deal in Damstra's securities when they are in possession of "inside" information. The securities trading policy further provides (among other things) that Damstra Persons must not engage in short-term or speculative trading in Damstra's securities (except as stated in the securities trading policy). Damstra Persons must also not deal in Damstra's securities during any of the following blackout periods (except in exceptional circumstances with approval, as assessed on a case-by-case basis):

- half-yearly results: from the close of the ASX trading day on 30 November (or if this is not an ASX trading day, the preceding ASX trading day) each year until 10am on the ASX trading day following the day on which the half-yearly results are released;
- full-year results: from the close of the ASX trading day on 31 May (or if this is not an ASX trading day, the preceding ASX trading day) each year until 10am on the ASX trading day following the day on which the full-year results are released;
- AGM: from the close of the ASX trading day two weeks prior to the date of the AGM until 10am on the ASX trading day following the date of the AGM; and
- any other period that the Board specifies from time to time.

Outside these blackout periods, each Director, the CEO, CEO direct reports and their direct reports must receive prior approval for any proposed dealing in Damstra's securities. In all instances, buying or selling securities is not permitted at any time by any person who possesses "inside" information.

6.5.5.3 Whistleblower policy

We have adopted a whistleblower policy to encourage our employees, suppliers, customers or other persons dealing with Damstra to raise concerns about possible non-compliance with Damstra's code of conduct, any Damstra policies or procedures or applicable laws. Any such concerns can be raised with an assurance from Damstra that there will be no disadvantage or prejudice as a consequence. This policy sets out:

- who is entitled to protection as a whistleblower under the policy;
- the protections whistleblowers are entitled to; and
- how disclosures made by whistleblowers will be handled by Damstra.

6.5.5.4 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a code of conduct which sets out the way Damstra conducts business. Our code of conduct outlines the standards of responsibility expected of everyone engaged in the business activities of Damstra, employees, officers and directors. The code of conduct reflects our core values: honesty, integrity, fairness and respect. It is about doing the right thing in business and making the right decisions. It includes being and being seen to be, a good corporate citizen.

6.5.5.5 Equal opportunity and diversity policy

The Board has adopted an equal opportunity and diversity policy which sets out Damstra's recognition of the benefits of diversity in the workplace. The equal opportunity and diversity policy recognises that diversity encompasses differences in backgrounds, qualifications and experiences, and differences in approach and viewpoints. The equal opportunity and diversity policy states that Damstra will take all reasonable steps to ensure that fair, non-discriminatory decisions are made in respect to workplace opportunities and benefits including (among other things) promotional opportunities, salary levels and packages and performance assessments. The equal opportunity and diversity policy also states that Damstra does not tolerate discrimination in the workplace and will take all reasonable steps to ensure that employees, contractors, clients, customers and others in the workplace are treated fairly and without regard to discriminatory characteristics. Damstra will provide in its annual report a summary of Damstra's progress towards achieving the measurable objectives set by the Board under the equal opportunity and diversity policy.

6.5.5.6 Shareholder communication policy

The Board's aim is to ensure that Shareholders are informed in a timely and readily accessible manner of major developments affecting Damstra. The Board has adopted a shareholder communication policy in order to facilitate this aim and promote effective communication with Shareholders and other stakeholders and to encourage and facilitate participation at the Company's general meetings and to deal promptly with the enquiries of Shareholders and other stakeholders.

Information will be disclosed to the ASX in accordance with the ASX Listing Rules and by publishing information on Damstra's website. Information will also be sent to Shareholders electronically at their registered email address.

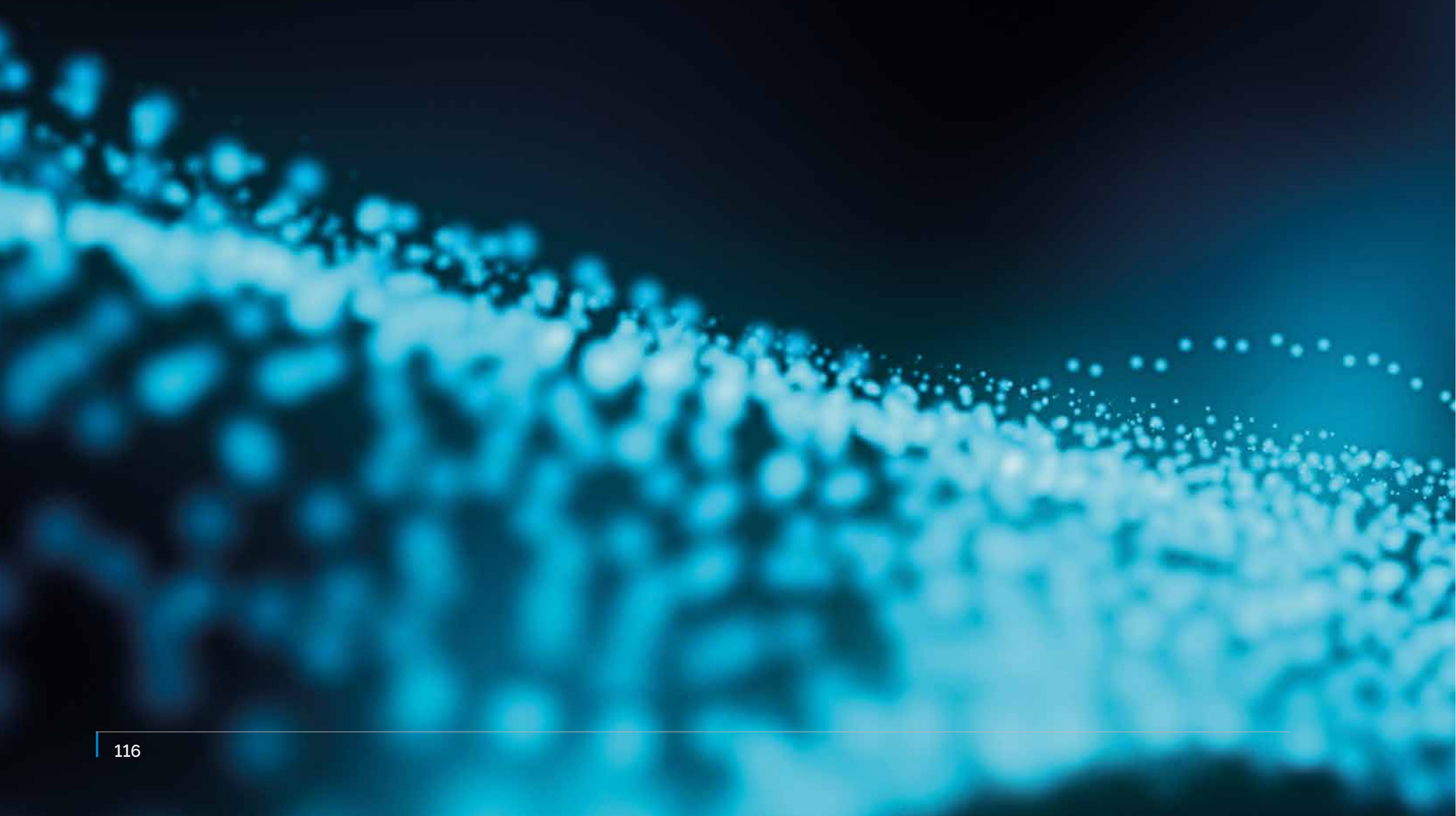
All announcements to the ASX will be published to the Damstra website as soon as possible following disclosure to the market.

6.6. RELATED PARTY TRANSACTIONS

Under an unsecured loan agreements dated 8 October 2017 and 31 October 2018, Damstra Technology (as lender) made available a loan to Johannes Risseeuw (as borrower) of up to $400,000. The balance of the loan, being $309,972, will be repaid out of the consideration received by Mr Risseeuw (or his associated entities) for the sale of Existing Shares to SaleCo (see Section 9.4 for further details).

7

DETAILS OF THE OFFER



7 DETAILS OF THE OFFER

7.1. DESCRIPTION OF THE OFFER

This Prospectus relates to an initial public offering of Shares, comprising the issue of New Shares by Damstra and the sale of Existing Shares by SaleCo at an Offer Price of $0.90 per Share ("**Offer Price**"). A total of 54.8 million Shares will be available under the Offer.[34]

The Shares offered under this Prospectus will represent approximately 39.9% of the Shares on issue at Completion of the Offer.[35]

The Offer (excluding the Employee Gift Offer, under which no proceeds will be raised) is expected to raise approximately $35 million from the issue of New Shares by the Company and for the Company's benefit and approximately $14.3 million from the sale of Existing Shares by SaleCo.[36]

The total number of Shares on issue at Completion will be 137.4 million[37] and all Shares will, once issued, rank equally with each other.

The Shares held by the Escrowed Shareholders immediately following Completion (in the case of Morgan Hurwitz, other than any Shares acquired pursuant to the Offer) will be subject to escrow arrangements as described in Section 6.4 of this Prospectus.

The Offer (other than the Priority Offer and the Employee Gift Offer) has been underwritten by the Lead Manager. A summary of the Underwriting Agreement including the events which would entitle the Lead Manager to terminate the Underwriting Agreement is set out in Section 9.5.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1. Structure of the Offer

The Offer comprises of the following components:

- the **Broker Firm Offer**, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker (see Section 7.3);
- the **Priority Offer**, which is open to selected investors in Australia nominated by us who have received an invitation from the Company to apply for Shares at the Offer Price (see Section 7.4);
- the **Employee Gift Offer**, which is open to Eligible Gift Employees who have received an offer from the Company to acquire, at no cost, the nearest whole number of Shares (rounded down based on the Offer Price) up to the value of $1,000 each (see Section 7.5); and
- the **Institutional Offer**, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions, made under this Prospectus (see Section 7. 8).

The Broker Firm Offer, the Priority Offer and the Employee Gift Offer are collectively referred to as the "**Retail Offer**".

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer, the Priority Offer, the Employee Gift Offer and the Institutional Offer was determined by agreement between Damstra and the Lead Manager, having regard to the results of the Bookbuild and the allocation policies outlined in Section 7.3.4, Section 7.4.4, Section 7.5.4 and Section 7.8.2.

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[34] This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

[35] A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

[36] This assumes 3.7 million Shares are issued or transferred under the Priority Offer.

[37] This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

7.1.2. Purpose of the Offer

The purpose of the Offer is to:

- provide funding and financial flexibility to support Damstra's growth strategy and future growth opportunities;
- repay, in part, existing indebtedness (including certain Westpac facilities and deferred consideration in connection with Damstra's acquisition of EIFY); allow Existing Shareholders to realise part of their investment in Damstra;
- broaden Damstra's shareholder base and provide a liquid market for Shares;
- provide Damstra with the benefits of an increased brand profile that arises from being a publicly listed entity;
- pay the contingent consideration in respect of Damstra's acquisition of Velpic and EIFY[38] (as applicable); and
- pay transaction costs.

7.1.3. Sources and uses of funds

The proceeds of the Offer received by us will be applied as described in Table 33. The Offer is expected to raise gross proceeds of approximately $49.3 million.[39] The proceeds of the Offer received by SaleCo in respect of the sale of Shares by it will be paid by SaleCo to the Selling Shareholders.

Table 33: Sources and uses of funds[2]

SOURCE OF FUNDS	$ MILLION
Damstra	
Cash proceeds received by us	35.0
Repayment of employee loan	0.3
SaleCo	
Cash proceeds received by SaleCo from the sale of Existing Shares by SaleCo	14.3
Total sources	**49.7**

USES OF FUNDS	$ MILLION
Transaction costs[1]	5.4
Debt repayment – certain Westpac facilities	6.6
Velpic contingent consideration	2.1
EIFY contingent consideration[3]	1.5
EIFY deferred consideration	1.5
General corporate purposes, including flexibility to support Damstra's growth strategy	18.3
Payments to Selling Shareholders	14.3
Total uses	**49.7**

Note:

1. Transaction costs includes the fees payable to advisers as referred to in Sections 6.3.4 and 9.5, as well as other costs such as registry fees, ASX listing fees and other adviser fees.
2. Assumes 3.7 million Shares are issued or transferred under the Priority Offer and 15.9 million Existing Shares are sold to SaleCo by Selling Shareholders.
3. The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million.

The Board retains the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

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[38] The extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18 month period ending in or around April 2020. $1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than $1.5 million.

[39] This assumes 3.7 million Shares are issued or transferred under the Priority Offer.

7.1.4. Pro forma historical consolidated statement of financial position

Our pro forma historical consolidated statement of financial position following Completion, including details of the pro forma adjustments, is set out in Section 4.4.

7.1.5. Capitalisation and indebtedness

Our capitalisation and indebtedness as at 30 June 2019, before and following Completion, are set out in Sections 4.4.2 and 4.4.3.

7.1.6. Shareholding structure of Damstra

Shareholdings of Existing Shareholders on the Prospectus Date and immediately following Completion of the Offer are set out in Table 34 below. This table does not include additional Shares that may be acquired under the Offer.

Table 34: Shareholdings of Existing Shareholders

SHAREHOLDER[1]	PROSPECTUS DATE		SHARES HELD ON COMPLETION	
	Shares	%	Shares[2]	%[3]
Christian Damstra	19,440,000	19.7%	18,890,000	13.7%
Johannes Risseeuw	19,440,000	19.7%	18,340,000	13.3%
Drew Fairchild	9,840,000	10.0%	3,662,222	2.7%
Chris Hutchins	8,760,000	8.9%	5,480,000	4.0%
John & Susan Loosemore	6,540,000	6.6%	6,540,000	4.8%
Regal Funds Management[4]	5,800,000	5.9%	5,800,000	4.2%
Peter Sharpe	5,020,000	5.1%	5,020,000	3.7%
Morgan Hurwitz	2,800,000	2.8%	2,800,000	2.0%
Other Existing Shareholders[5]	20,860,000	21.2%	16,094,996	11.7%
Total	**98,500,000**	**100.0%**	**82,627,218**	**60.1%**

Notes:

1. Shareholders may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
2. Refer also to Section 6.3 for further information on interests and benefits (including Directors' interests in Shares).
3. A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.
4. This includes 2,360,000 Shares that will be issued prior to Completion on conversion of Convertible Notes.
5. This includes 6,320,000 Shares that will be issued prior to Completion on conversion of Convertible Notes. For the avoidance of doubt, this does not include any Shares held by Directors.

Subject to any additional Shares that may be acquired by Existing Shareholders under the Offer, new Shareholders will hold in aggregate 54,801,667 Shares immediately following Completion.[40]

Refer to Section 6.3.2 in relation to Awards that may be issued to Directors and members of senior management.

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[40] A total of 137.4 million Shares will be on issue at Completion of the Offer. This assumes 3.7 million Shares are issued or transferred under the Priority Offer and less than 0.1 million Shares are issued or transferred under the Employee Gift Offer, and includes 8.7 million Shares to be issued prior to Completion on conversion of the Convertible Notes.

7.1.7. Control implications of the Offer

The Directors do not expect any single Shareholder to control Damstra on Completion (based on the definition of "control" in section 50AA of the Corporations Act).

7.1.8. Potential effect of the Offer on the future of Damstra

The Directors believe that on Completion, Damstra will have sufficient working capital from the funds raised from the Offer and its operations to carry out its stated objectives as detailed in this Prospectus.

7.2. TERMS AND CONDITIONS OF THE OFFER

Table 35: Terms and conditions of the Offer

What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of Damstra).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12.
What is the consideration payable for the Shares?	Successful applicants under the Offer (other than the Employee Gift Offer) will pay the Offer Price, being $0.90 per Share.
What is the Offer period?	The Retail Offer will open at 9.00am (Melbourne time) on Tuesday, 1 October 2019 and will close at 5.00pm (Melbourne time) on Thursday, 10 October 2019. The key dates, including details of the Offer Period, are set out in the "Key Offer information" section of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times and dates are stated in Melbourne, Australia time. The Company, SaleCo, and the Lead Manager reserve the right to vary the times and dates of the Offer without notice, subject to the ASX Listing Rules and the Corporations Act (including to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.
What are the cash proceeds to be raised under the Offer?	Approximately $49.3 million will be raised if the Offer proceeds (comprising $35 million from the issue of New Shares by Damstra for Damstra's benefit and $14.3 million for the sale of Existing Shares held by SaleCo).[41]
Is the Offer underwritten?	The Lead Manager has underwritten the Offer (other than the Priority Offer and the Employee Gift Offer) pursuant to the Underwriting Agreement. Details are provided in Section 9.5.

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[41] This assumes 3.7 million Shares are issued or transferred under the Priority Offer.

Who is the Lead Manager for the Offer?	The Lead Manager is Morgan Stanley Australia Securities Limited.
Who is the Co-Manager for the Offer?	The Co-Manager is Morgans Financial Limited.
What is the minimum and maximum application size under the Retail Offer?	The minimum application size for investors in the Broker Firm Offer and the Priority Offer is $1,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer or the Priority Offer. Under the Employee Gift Offer, Eligible Gift Employees will be offered the opportunity to apply for a gift of up to $1,000 worth of Shares at no cost. Damstra and SaleCo, along with the Lead Manager, reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors as bids in the Institutional Offer or to reject or scale back Applications. Damstra and SaleCo, along with the Lead Manager, also reserve the right to aggregate any Applications believed to be multiple applications from the same person.
What is the allocation policy?	The allocation of Shares between the Institutional Offer and Retail Offer (including the Broker Firm Offer, the Priority Offer and the Employee Gift Offer) was determined by agreement between the Company and the Lead Manager, having regard to the results of the Bookbuild and the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.8.2 of this Prospectus (as applicable). The allocation of Shares to participants within the Institutional Offer and the identity and level of participation of Brokers in the Broker Firm offer were determined by agreement of the Company and the Lead Manager, having regard to the results of the Bookbuild and the allocation policies in Sections 7.3.4 and 7.8.2 (as applicable). With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they allocate Shares among their retail clients. The allocation of Shares under the Priority Offer and the Employee Gift Offer is at the absolute discretion of the Company, provided that the allocations do not exceed 3,716,112 Shares and 39,996 Shares, respectively. Except for Shares to be issued under the Employee Gift Offer in respect of valid Applications from Eligible Gift Employees, Damstra, along with the Lead Manager, may reject an Application, or allocate fewer Shares than the number or equivalent dollar amount applied for, in our absolute discretion. Damstra and SaleCo, in conjunction with the Lead Manager, also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. All Eligible Gift Employees who apply correctly for Shares under the Employee Gift Offer are guaranteed the allocation of those Shares.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Thursday, 17 October 2019. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.

Will the Shares be quoted?	Damstra applied for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code "DTC") on Monday, 23 September 2019. Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Damstra will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Damstra may be admitted to the Official List is not to be taken as an indication of the merits of Damstra or the Shares offered for sale.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or around Wednesday, 16 October 2019 on a deferred settlement basis. Shares are expected to commence trading on ASX on a normal settlement basis on or around Friday, 18 October 2019. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. Damstra, SaleCo, their respective directors, officers, representatives, affiliates and advisers along with the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Damstra Offer Information Line.
Are there any escrow arrangements?	Yes. Details are provided in Section 6.4.
Has any ASIC relief or ASX waiver been sought or obtained?	Yes. Details are provided in Section 9.8.
Are there any taxation considerations for Australian investors?	Yes. Refer to Section 9.11.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.5 for details of various fees payable by Damstra to the Lead Manager and by the Lead Manager to the Co-Manager and Brokers (on behalf of the Company).
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Damstra Offer Information Line on 1300 383 865 (within Australia) and +61 3 9415 4186 (outside Australia) from 8:30am until 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3. BROKER FIRM OFFER

7.3.1. Who may apply

The Broker Firm Offer is open to retail clients of Brokers who have received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not located in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.2. How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of the Prospectus and Broker Firm Offer Application Form, or download a copy of both of these documents at https://damstra.thereachagency.com. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Melbourne time) on the closing date for the Retail Offer (5.00pm (Melbourne time) on Thursday, 10 October 2019) or any earlier closing date as determined by your Broker.

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

The minimum Application under the Broker Firm Offer is $1,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Damstra, SaleCo and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Damstra and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

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

The Broker Firm Offer opens at 9.00am (Melbourne time) on Tuesday, 1 October 2019 and is expected to close at 5.00pm (Melbourne time) on Thursday, 10 October 2019. SaleCo and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3. How to pay

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

7.3.4. Allocation policy

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, has been determined by agreement between the Lead Manager and Damstra. Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of Damstra, SaleCo and the Lead Manager to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their Australian resident retail clients, and they (and not Damstra, SaleCo or the Lead Manager) will be responsible for ensuring that Australian resident retail clients who have received a firm allocation from them receive the relevant Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Damstra Offer Information Line or confirmed your allocation through a Broker.

Damstra, SaleCo, their respective directors, officers, representatives and advisers, the Lead Manager, and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Damstra Offer Information Line or confirmed your firm allocation of Shares through a Broker.

7.4. PRIORITY OFFER

7.4.1. Who may apply

The Priority Offer is open to investors who have received an invitation to participate in the Priority Offer from Damstra and who have a registered address in Australia and are not located in the United States. If you have been invited by Damstra to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you and you will receive a personalised invitation to apply for Shares in the Priority Offer.

7.4.2. How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation.

Applications under the Priority Offer must be for a minimum of $1,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum number or value of Shares that may be applied for under the Priority Offer.

Applications must be received by the Share Registry on or before the closing date for the Retail Offer (5.00pm (Melbourne time) on Thursday, 10 October 2019).

7.4.3. How to pay

Payment must be made in Australian dollars and via BPAY® (for Priority Offer Applicants in Australia) and must otherwise be made in accordance with the instructions provided on your personalised invitation. Application Monies must be received by the Share Registry by 5.00pm (Melbourne time) on Thursday, 10 October 2019. It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Melbourne time) on Thursday, 10 October 2019. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.4.4. Allocation policy

The aggregate number of Shares offered under the Priority Offer will not exceed $3,344,501 worth of Shares in aggregate. The allocation of Shares to Applicants under the Priority Offer will be made at the absolute discretion of Damstra. Damstra may reject an Application, or allocate a lesser dollar amount of Shares than the amount applied for, in its absolute discretion.

7.5. EMPLOYEE GIFT OFFER

7.5.1. Who may apply

The Employee Gift Offer is open to Eligible Gift Employees, who are persons who have a registered address in Australia and are not located in the United States. Additionally, Eligible Gift Employees on a fixed-term contract must have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date. Directors of the Company are not eligible to participate in the Employee Gift Offer.

Eligible Gift Employees will receive a personalised invitation to apply for Shares under the Employee Gift Offer on the Prospectus Date. Eligible Gift Employees should read the invitation carefully and in its entirety before deciding whether to apply for Shares under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.5.2. How to apply

Eligible Gift Employees who wish to apply for Shares under the Employee Gift Offer must apply for Shares by submitting your Employee Gift Offer Application Form in accordance with the instructions on your personalised invitation. Eligible Gift Employees must comply with the instructions on their personalised invitation and the Application Form.

Applications under the Employee Gift Offer must be received on or before the closing date of the Retail Offer (5.00pm (Melbourne time) on Thursday, 10 October 2019).

Applications under the Employee Gift Offer may be for up to $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.5.3. How to pay

No payment for Shares is required under the Employee Gift Offer.

7.5.4. Allocation policy

Eligible Gift Employees who submit a valid Application will receive a guaranteed allocation of $1,000 worth of Shares or such lesser value of Shares applied for (rounded down to the nearest whole Share based on the Offer Price). The aggregate number of Shares issued under the Employee Gift Offer will not exceed $35,997 worth of Shares in aggregate.

7.5.5. Restrictions on disposing of Shares

Eligible Gift Employees may not sell, transfer or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Gift Employee ceases to be employed by Damstra, the Board allows it or the dealing is required by law.

Damstra will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Gift Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer or disposal of those Shares.

7.6. ACCEPTANCE OF APPLICATIONS UNDER THE RETAIL OFFER

An Application under the Retail Offer (which incorporates the Broker Firm Offer, the Priority Offer and the Employee Gift Offer) is an offer by you to Damstra and SaleCo to apply for Shares in the dollar amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document), the Application Form and any personalised invitation. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

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

An Application may be accepted by Damstra or SaleCo in respect of the full amount specified on the Application Form, or any amount lower than that, without further notice to the Applicant. Damstra and SaleCo reserve the right to decline any Application (in whole or in part) if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application, or for any other reason.

Damstra, SaleCo and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by an Applicant in completing their Application. In addition, Damstra, SaleCo and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) which they believe may be from an Institutional Investor, or are for more than $250,000 worth of Shares.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on the ASX.

7.7. APPLICATION MONIES

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Damstra. You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment, electronic funds transfer or other valid payment method (as applicable). If the amount of your BPAY® payment, electronic funds transfer or other valid payment method (as applicable) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares.

7.8. INSTITUTIONAL OFFER

7.8.1. Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions outside the United States to bid for an allocation of Shares at the Offer Price. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.8.2. Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer was determined by agreement between the Lead Manager and Damstra, having regard to the results of the Bookbuild. Damstra and the Lead Manager had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager.

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

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Damstra's desire for an informed and active trading market following listing on the ASX;
- Damstra's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer, Priority Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Damstra, SaleCo and the Lead Manager considered appropriate, in our sole discretion.

7.9. RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares that are subject of the Offer or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer does not constitute an offer or invitation to apply or subscribe for or purchase Shares in any jurisdiction in which, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws.

Each Applicant in the Retail Offer, as well as each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

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

7.10. DISCRETION REGARDING THE OFFER

Damstra and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, or you are not issued any Shares or are issued fewer Shares than the number that you applied for, all relevant Application Monies will be refunded (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Damstra, SaleCo and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any application, or (subject to the terms of any guaranteed allocations referred to in this Prospectus) allocate for a lesser number of Shares than that applied for.

7.11. ASX LISTING, REGISTERS AND HOLDING STATEMENTS, AND DEFERRED SETTLEMENT TRADING

7.11.1. Application to the ASX for listing of Damstra and quotation of Shares

Damstra applied for admission to the Official List and quotation of the Shares on the ASX (which is expected to be under the code "DTC") on Monday, 23 September 2019.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Damstra to the Official List is not to be taken as an indication of the merits of Damstra or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by Damstra will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

From the date of listing on the ASX, Damstra will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Damstra from time to time (including those described in Section 9.8).

7.11.2. CHESS and issuer sponsored holdings

Damstra has applied to participate in ASX's Clearing House Electronic Subregister System ("**CHESS**") and must comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products under the ASX Settlement Operating Rules, holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ("**HIN**") for CHESS holders or, where applicable, the Securityholder Reference Number ("**SRN**") of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

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

7.11.3. Deferred settlement trading and selling Shares on-market

It is expected that the Shares will commence trading on ASX on or about Wednesday, 16 October 2019, initially on a deferred settlement basis.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Damstra, SaleCo, their respective directors, officers, representatives, affiliates and advisers, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Damstra Offer Information Line.

Shares are expected to commence trading on ASX on a normal settlement basis on or about Friday, 18 October 2019.

7.12. SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Damstra is admitted to the Official List.

7.12.1. Voting at a general meeting

At a general meeting of Damstra, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held and in respect of each partly paid Share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid Share bears to the total amounts paid and payable (excluding amounts credited) on that Share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.12.2 Meetings of members

Every Shareholder is entitled to receive notice of, attend and vote at general meetings of Damstra and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. Damstra must give at least 28 days' written notice of a general meeting.

7.12.3. Dividends

The Board may pay any interim, special or final dividends that, in its judgement, the financial position of Damstra justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and method of payment.

7.12.4. Transfer of Shares

Subject to the Constitution and to any restrictions attached to any Share or classes of shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may, in accordance with the Corporations Act or the ASX Listing Rules, decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer.

7.12.5. Issue of Shares

The Board may, subject to the Constitution, Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules issue or grant options for, or otherwise dispose of, Shares in Damstra on such terms as the Board decides.

7.12.6. Preference shares

Damstra may issue preference shares, including preference shares which are, or at the option of Damstra or a holder are, liable to be redeemed or converted into Shares. The rights attaching to preference shares are those set out in the Constitution.

7.12.7. Winding up

If Damstra is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of Shares, any surplus property must be divided among Shareholders in proportion to the Shares held by them (irrespective of the amounts paid or credited as paid on the Shares), less any amounts which remain unpaid on these Shares at the date of distribution.

If Damstra is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of Damstra's property and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

7.12.8. Non-marketable parcels

In accordance with the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares by following the procedures set out in the Constitution. A marketable parcel of Shares is defined in the ASX Listing Rules and is generally a holding of Shares with a market value of at least $500.

7.12.9. Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those provisions were adopted or the date those rules were last renewed.

7.12.10. Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

7.12.11. Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of 12 Directors or such lower number as the Directors determine, provided Damstra resolves to authorise such determination at a general meeting. Directors are elected or re-elected at general meetings of Damstra.

No Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later). The Board may also appoint any eligible person to be a Director (but not the CEO), either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will hold office until the conclusion of the next annual general meeting of Damstra following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated by the Board or by another Shareholder in accordance with procedures in the Constitution (subject to timing requirements).

7.12.12. Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chair of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote, in which case the Chair of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or assent to the resolution (other than Directors permitted not to vote on the resolution in accordance with the terms of the Constitution).

7.12.13. Directors – remuneration

Under the Constitution, the Board may decide the remuneration from Damstra to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by Damstra in general meeting for that purpose. The remuneration of a Director must not include a commission on, or a percentage of operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.1. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be reimbursed for travel and other expenses properly incurred in attending to Damstra's affairs, including attending and returning from general meetings of Damstra, Board meetings or meetings of committees of the Board. If a Director renders or is called on to perform extra services, or make any special exertions in connection with the affairs of Damstra, the Directors may arrange for special remuneration to be paid to that Director either in addition to or in substitution for that Director's remuneration. Directors' remuneration is discussed above in Section 6.3.1.

7.12.14. Powers and duties of Directors

The Directors are responsible for managing the business of Damstra and may exercise to the exclusion of Damstra in general meeting all the powers of Damstra which are not required by law or by the Constitution to be exercised by Damstra in general meeting.

7.12.15. Indemnities

Damstra may indemnify, to the extent permitted by law, each Director, alternative director or executive officer of Damstra (and, if the Directors so determine, any current or former officer or auditor of Damstra or its related bodies corporate) against any losses or liability incurred by that person as an officer or auditor (as applicable) of Damstra or of a related body corporate of Damstra including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis. Damstra may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director, alternative director or executive officer of Damstra (and, if the Directors so determine, any current or former officer or auditor of Damstra or its related bodies corporate) against any liability incurred by that person as an officer or auditor (as applicable) of Damstra or of a related body corporate, including but not limited to a liability for negligence or for legal costs.

7.12.16. Amendment

The Constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of Damstra.

8

INDEPENDENT LIMITED ASSURANCE REPORT

8 INDEPENDENT LIMITED ASSURANCE REPORT

The Directors
Damstra Holdings Limited
Level 1, 38-40 Garden Street
South Yarra VIC 3141

The Directors
Damstra SaleCo Limited
Level 1, 38-40 Garden Street
South Yarra VIC 3141

20 September 2019

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Damstra Holdings Limited's historical and forecast financial information and Financial Services Guide

We have been engaged by Damstra Holdings Limited (the **Company**) (the Company and its controlled subsidiaries being the **Group**) and Damstra SaleCo Limited (**SaleCo**) (collectively, **you**) to report on the historical and forecast financial information of the Company for the years ended/ending 30 June 2017 (**FY2017**), 30 June 2018 (**FY2018**), 30 June 2019 (**FY2019**) and 30 June 2020 (**FY2020**) for inclusion in the prospectus (**Prospectus**) dated on or about 23 September 2019 and relating to the initial public offering of fully paid ordinary shares in the Company (**Shares**) for issue by the Company and sale by SaleCo and the associated listing of the Company and its Shares on the Australian Securities Exchange.

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

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001 (Cth). This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Group included in the Prospectus (collectively, the **Financial Information**):

Statutory Historical Financial Information

Statutory Historical Financial Information comprising:

- statutory historical consolidated statements of financial performance for FY2017, FY2018 and FY2019;
- statutory historical consolidated statement of financial position as at FY2019;
- statutory historical consolidated statements of cash flows for FY2017, FY2018 and FY2019.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, as described in Appendix A of the Prospectus. The Statutory Historical Financial Information has been extracted from the Group's financial reports for FY2017 and FY2018 audited by Ernst & Young and the financial report for FY2019 audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. Ernst & Young and PricewaterhouseCoopers issued unmodified audit opinions on the financial reports in the respective years. The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

Pro Forma Historical Financial Information

Pro Forma Historical Financial Information comprising:

- pro forma historical consolidated statements of financial performance for FY2017, FY2018 and FY2019;
- pro forma historical consolidated statement of financial position as at 30 June 2019;
- pro forma historical consolidated statements of cash flows for FY2017, FY2018 and FY2019.

The Pro Forma Historical Financial Information assumes Completion of the Offer (as described in the Prospectus).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Group, after adjusting for the effects of pro forma adjustments described in sections 4.3.1 and 4.5.1 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.3.1 and 4.5.1 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance, and cash flows.

Statutory Forecast Financial Information

Statutory Forecast Financial Information comprising:

- statutory forecast consolidated statement of financial performance for the financial year ending 30 June 2020 (**FY2020**); and

- statutory forecast consolidated cash flow statement for FY2020.

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast Financial Information

Pro Forma Forecast Financial Information comprising:

- pro forma forecast consolidated statement of financial performance for FY2020; and
- pro forma forecast consolidated cash flow statement for FY2020.

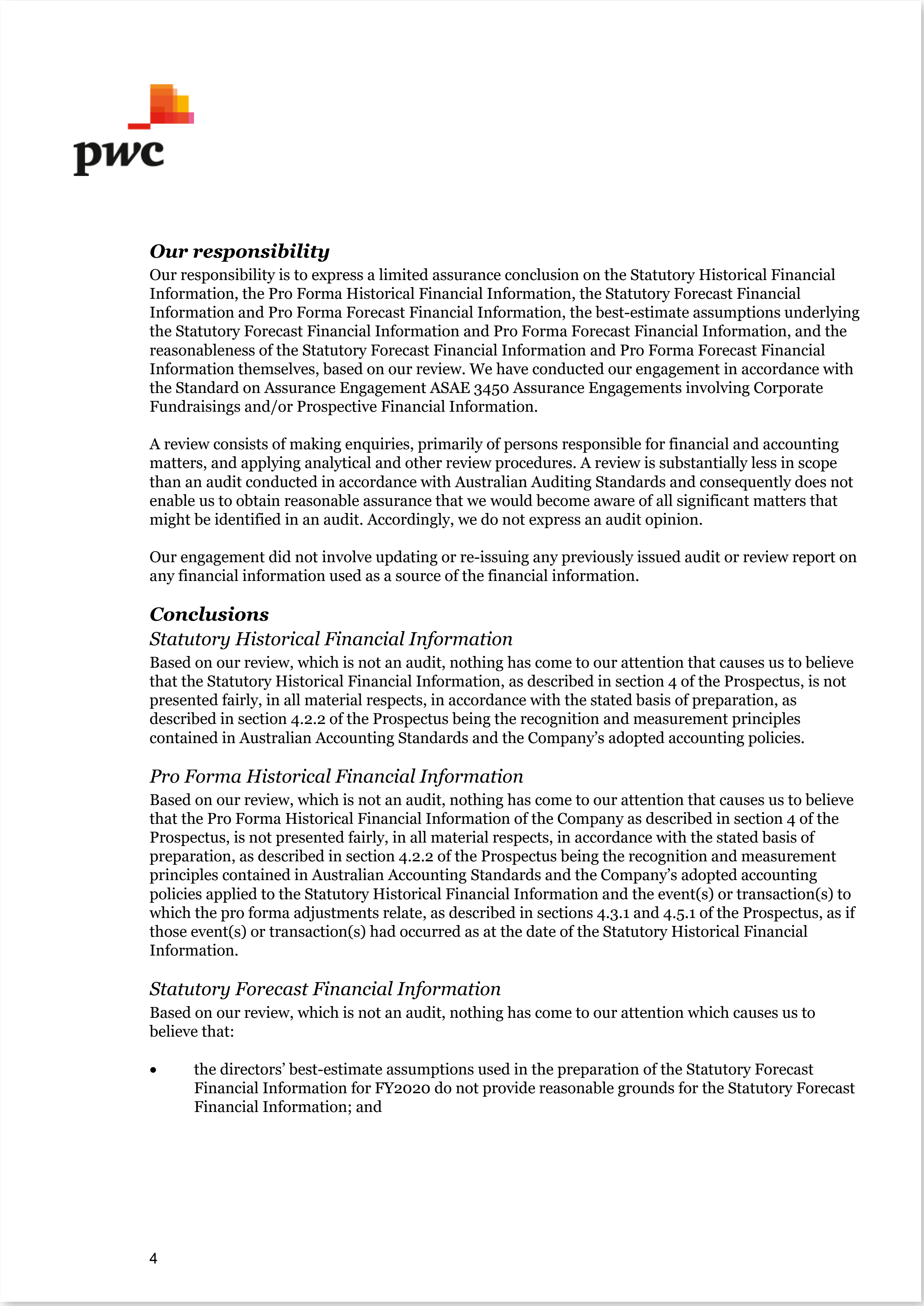
The Pro Forma Forecast Financial Information assumes Completion of the Offer (as described in the Prospectus).

The Pro Forma Forecast Financial Information has been derived from the Group's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.3.1 and 4.5.1 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.3.1 and 4.5.1 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Forecast Financial Information. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Group's actual prospective financial performance and/or cash flows for the year ending 30 June 2020.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement.



Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

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

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.3.1 and 4.5.1 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information for FY2020 do not provide reasonable grounds for the Statutory Forecast Financial Information; and

- in all material respects, the Statutory Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Information for FY2020 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.7 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies, applied to the Statutory Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Group for the year ending 30 June 2020. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Group. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.9 of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

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

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

AWelsh

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
2 Riverside Quay, Southbank VIC 3006, GPO Box 1331, Melbourne VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 20 September 2019

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Damstra Holdings Limited (the **Company**) (the Company and its controlled subsidiaries being the **Group**) and Damstra SaleCo Limited (**SaleCo**) (collectively, **you**) to provide a report in the form of an Investigating Accountant's Report in relation to the historical and forecast financial information of the Company (the **Report**) for inclusion in the prospectus dated on or about 23 September 2019 relating to the proposed initial public offering of fully paid ordinary shares in the Company and the offer of certain existing shares in the Company by SaleCo and the subsequent listing of the Company on the Australian Securities Exchange (the **Offer**).

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

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

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of the Report our fees are charged on an hourly basis and as at the date of the Report amount to $475,000 (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers have been engaged as auditor of the Group with effect from the financial statements for the year ended 30 June 2019.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**AFCA**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

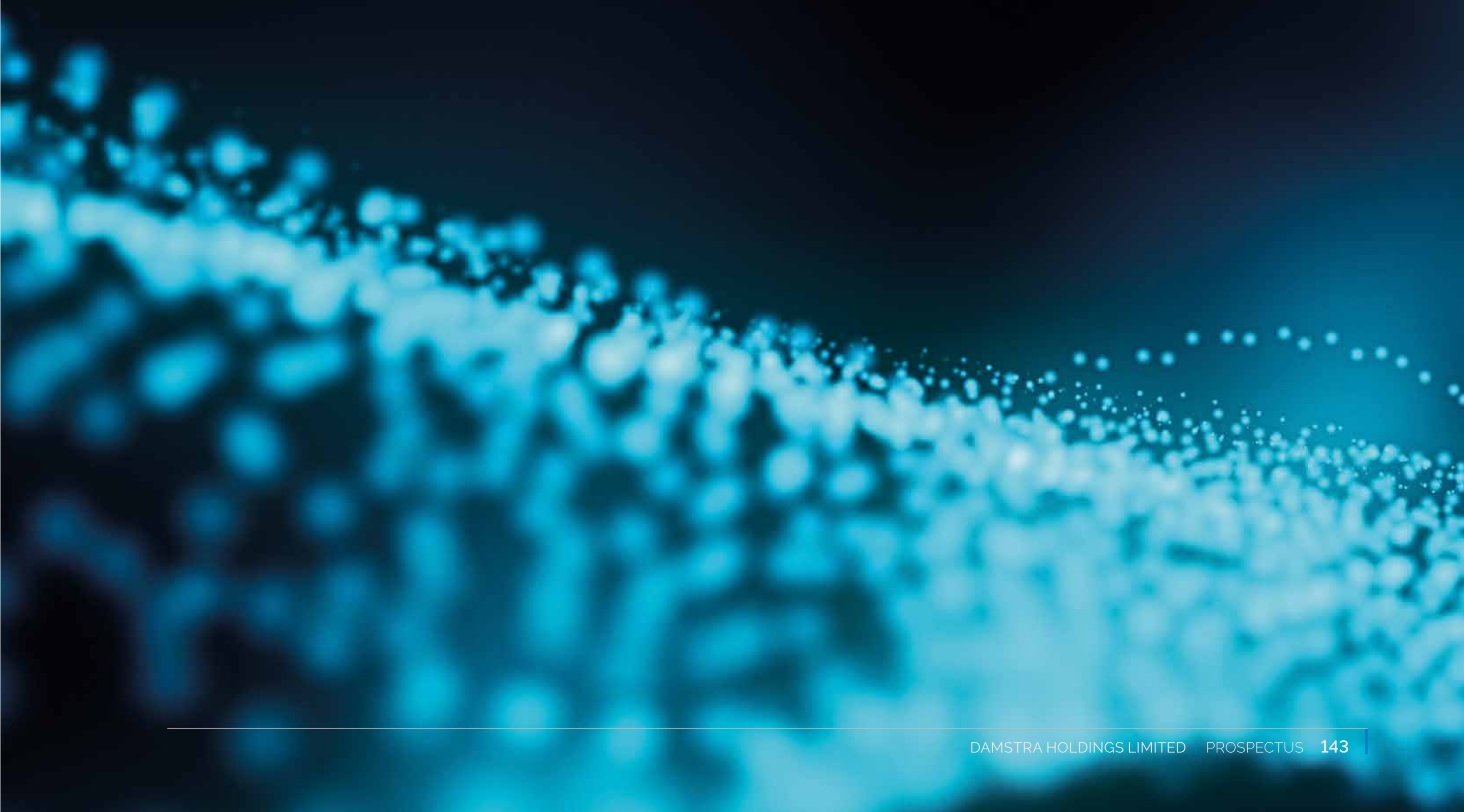
PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh

PricewaterhouseCoopers Securities Ltd, 2 Riverside Quay, Southbank VIC 3006

9

ADDITIONAL INFORMATION



9 ADDITIONAL INFORMATION

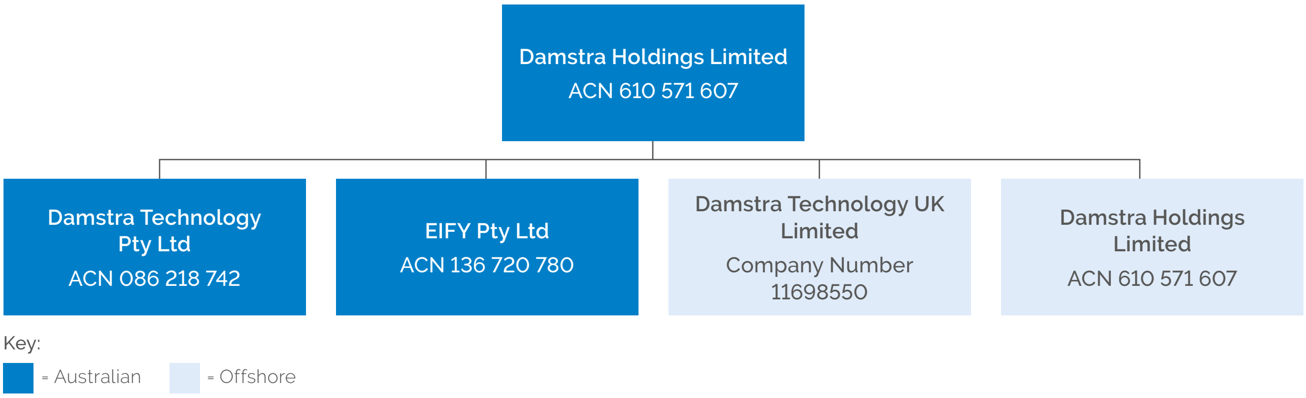
9.1. REGISTRATION

Damstra was registered in Victoria, Australia on 4 February 2016 as a proprietary company and was converted to a public company on 13 September 2019.

9.2. CORPORATE STRUCTURE

The corporate structure of Damstra immediately after Completion will be as shown in Figure 16 below:

Figure 16: Corporate structure



9.3. COMPANY TAX STATUS

Damstra expects to be taxed as an Australian company.

9.4. SALE OF EXISTING SHARES BY SALECO

SaleCo, a special purpose vehicle, has been established to facilitate the sale of certain Existing Shares by the Selling Shareholders.

Each of the Selling Shareholders has entered into a Sale Deed in favour of Damstra and SaleCo under which the relevant Selling Shareholder has offered to sell some or all of their Existing Shares to SaleCo, which will be sold by SaleCo into the Offer, free from encumbrances and third party rights and conditional on (among other things) acceptance of such offer and the Underwriting Agreement not having being terminated before the date of Settlement.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. Damstra will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the deeds described above. The Directors and shareholders of SaleCo are Drew Fairchild, Morgan Hurwitz and Simon Yencken, who are also Directors of Damstra. Damstra has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer. Damstra has indemnified SaleCo and the shareholders and officers of SaleCo for any costs or loss which they may incur as a consequence of the Offer (including but not limited to as a result of making the Offer, the transfer or allotment of Shares under the Offer, any misleading or deceptive statement in, or omission from the Prospectus or other Offer documents or a breach by SaleCo of any binding obligation in respect of the Offer).

9.5. UNDERWRITING AGREEMENT

The Offer (other than the Priority Offer and the Employee Gift Offer) is being underwritten by the Lead Manager pursuant to an underwriting agreement, dated Monday, 23 September 2019, between the Lead Manager, SaleCo and Damstra ("**Underwriting Agreement**"). Under the Underwriting Agreement, the Lead Manager has agreed, subject to certain conditions and termination events, to arrange, manage and underwrite the Offer.[42]

The following is a summary of the principal provisions of the Underwriting Agreement. Where used below: (i) the term "**offer documents**" means the Pathfinder, this Prospectus and certain other documents issued or published by or on behalf of, and with the authorisation of and in a form approved by, Damstra and SaleCo in respect of, or relating to, the Offer; and (ii) the term "**public information**" means all public statements (including media statements or other announcements) made before Completion by or on behalf of, and with the authorisation of and in a form approved by, Damstra and/or SaleCo in relation to the Offer, other than the offer documents.

9.5.1. Commissions, fees and expenses

By 5.00pm on the Settlement date for the Offer, Damstra must pay to the Lead Manager in accordance with the Underwriting Agreement an underwriting fee equal to 3.5%, and a management equal to 1.0%, of the gross Offer proceeds (which are calculated by reference to the number of Shares issued or transferred to third parties in the Offer, excluding Eligible Gift Employees and also excluding those Shares issued or transferred under the Priority Offer, multiplied by the Offer Price), subject to a minimum fee of $2,750,000. Damstra may also elect, at its absolute discretion, to pay the Lead Manager an incentive fee of 1.0% of such gross Offer proceeds.

Damstra has agreed to reimburse the Lead Manager for reasonable costs and expenses properly incurred and documented by the Lead Manager in connection with the Offer. Damstra has authorised the Lead Manager to pay any commissions and fees of any co-lead managers, co-managers and brokers in relation to the Offer, out of fees payable to the Lead Manager.

9.5.2. Termination events

The Lead Manager may terminate its obligations under the Underwriting Agreement without cost or liability, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date for Settlement under the Offer by notice to Damstra and SaleCo if any of the following events occur:

- Damstra and SaleCo issue or, become required to issue, a supplementary prospectus because of the operation of section 719 of the Corporations Act or lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Lead Manager where required under the Underwriting Agreement;
- a statement in the Prospectus or public information is or becomes misleading or deceptive (including by omission);
- any of the escrow deeds relating to the Escrowed Shareholders are: (i) terminated, rescinded or found to be void or voidable; or (ii) varied, amended, breached or altered in any material respect (in each case, without the prior written consent of the Lead Manager);
- any of the Sale Deeds are: (i) terminated, rescinded or found to be void or voidable; or (ii) varied, amended, breached or altered in any material respect (in each case, without the prior written consent of the Lead Manager);
- the deed poll made by the Company in favour of SaleCo and its officers and shareholders under which the Company agrees to indemnify SaleCo and its officers and shareholders for actions taken by it in connection with the Offer is: (i) terminated, rescinded or found to be void or voidable; or (ii) varied, amended, breached or altered in any material respect (in each case, without the prior written consent of the Lead Manager);
- the Company is prevented from issuing the New Shares or SaleCo is prevented from transferring the Existing Shares which it acquires from the Selling Shareholders within the time required by the timetable set out in the Underwriting Agreement (as may be amended or varied pursuant to the Underwriting Agreement), the offer documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a government agency;
- at any time the S&P/ASX 200 Index falls to a level that is 87.5% or less of the level as at the close of trading on 18 September 2019 and is at or below that level at the close of trading: (i) for at least 2 consecutive business days during any time after the date of the Underwriting Agreement; or (ii) on the business day immediately prior to the date of settlement, whichever is shorter;

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[42] The Priority Offer and the Employee Gift Offer are not underwritten.

- any of the following occur: (i) Damstra, SaleCo or any Damstra group member engages in fraudulent conduct or activity whether or not in connection with the Offer; (ii) a director or proposed director of Damstra or SaleCo named in the Pathfinder or Prospectus has engaged in any fraudulent conduct or activity since the date of the Underwriting Agreement or is charged with an indictable offence; (iii) any government agency commences any public action against Damstra or SaleCo or any of their respective directors in their capacity as a director of that entity, or announces that it intends to take that action; or (iv) any director or proposed director of Damstra or SaleCo named in the Pathfinder or Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- an event specified in the timetable set out in the Underwriting Agreement to occur up to and including the date of Settlement is delayed by more than 2 business days without the prior written consent of the Lead Manager, other than any delay agreed between the Lead Manager, Damstra and SaleCo, any delay caused by the Lead Manager or a delay as a result of an extension of the Exposure Period by ASIC;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions or other conditions acceptable to the Lead Manager (acting reasonably), to: (i) Damstra's admission to the Official List on or before the listing approval date specified in the Underwriting Agreement; or (ii) the quotation of all of Damstra's Shares on ASX, or for the Shares to be traded through CHESS on or before the quotation date specified in the Underwriting Agreement, or in each case if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or other conditions acceptable to the Lead Manager, acting reasonably) or withheld;
- any of the following notifications are made in respect of the Offer: (i) ASIC issues an order (including an interim order) under section 739 of the Corporations Act unless such an order is not made public or is withdrawn within 2 business days or if it is made within 2 business days of the date of Settlement it has not been withdrawn by 5.00pm on the business day before the date of Settlement; (ii) ASIC gives notice of its intention to hold a hearing under section 739(2) of the Corporations Act; (iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an offer document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an offer document, unless such an application is not made public or is withdrawn within 2 business days or if it is made within 2 business days of the date of Settlement it has not been withdrawn by 5.00pm on the business day before the date of Settlement; (iv) any person (other than the Lead Manager) who has previously consented to the inclusion of its name in the Prospectus withdraws that consent; or (v) any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- Damstra or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- Damstra or SaleCo withdraws the Prospectus, any invitations to apply for Shares under an offer document or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- Damstra, SaleCo or a material member of the Damstra group is or becomes insolvent, or there is an act or omission which is likely to result in Damstra, SaleCo or a material member of the Damstra group becoming insolvent;
- a regulatory body withdraws or revokes, or varies or amends in any material respect, any regulatory approvals required for Damstra or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the offer documents;
- a change in the chief executive officer or executive chairman of Damstra is announced or occurs; or
- the offer documents include any financial forecast which: (i) is not, or ceases to be, based on reasonable grounds (having regard to ASIC Regulatory Guide 170); or (ii) is or becomes incapable of being met.

9.5.3. Termination events subject to materiality

The Lead Manager may terminate its obligations under the Underwriting Agreement without cost or liability, at any time after the date of the Underwriting Agreement and on or before 10:00am on the date for Settlement under the Offer by notice to the other party, if any of the following events occur and the Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, outcome, settlement or marketing of the Offer, the ability of the Lead Manager to market, promote or settle the Offer, the willingness of investors to subscribe for the Shares under the Offer or the likely price at which the Shares under the Offer will trade on ASX; or (ii) has given, or is likely to give rise to, a liability for the Lead Manager under any applicable law or regulation or a contravention by the Lead Manager or its affiliates of, or the Lead Manager or its affiliates being involved in a contravention of, the Corporations Act or any other applicable law or regulation:

- there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;

- the report of the due diligence committee formed by Damstra and SaleCo in connection with the Offer or any other information supplied by or on behalf of Damstra or SaleCo to the Lead Manager in relation to the Damstra group or the Offer (including any information supplied prior to the date of the Underwriting Agreement) is (or is likely to be), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change, or any development involving a prospective material adverse change, occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Damstra or the Damstra group (insofar as the position in relation to an entity in the Damstra group affects the overall position of Damstra) from those disclosed in any offer document or the public information;
- the offer documents include any expression of opinion, belief, intention or expectation which: (i) is not, or ceases to be based on reasonable grounds (having regard to ASIC Regulatory Guide 170); or (ii) is or becomes incapable of being met;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement) any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Damstra or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- Damstra or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- any of the following occurs: (i) the commencement or escalation of legal proceedings against Damstra, SaleCo, any other Damstra group member or against any director of Damstra, SaleCo, or any other Damstra group member; or (ii) any regulatory body commences an enquiry or public action against Damstra, SaleCo or a Damstra Group member; or (iii) there is a material adverse development in any litigation, arbitration, administrative or government proceeding or investigation referred to in the Prospectus as compared to the position outlined in the Prospectus;
- hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the People's Republic of China, Hong Kong, North Korea, Russia, any member state of the European Union or the United Kingdom or a national emergency is declared by any one of those countries or a major terrorist act is perpetrated anywhere in the world;
- a statement in any closing certificate delivered under the Underwriting Agreement is false, misleading, deceptive, inaccurate or untrue or incorrect (including by way of omission);
- any of the following occurs: (i) a general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Hong Kong, North Korea, Russia, any member state of the European Union or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; (ii) any disruption to the financial markets in Australia, the People's Republic of China, Hong Kong, North Korea, Russia, any member state of the European Union or the United Kingdom, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or (iii) trading in all securities quoted or listed on ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for 2 or more days on which that exchange is open for trading;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- Damstra: (i) alters the issued capital of Damstra or a Damstra group member; or (ii) disposes or attempts to dispose of a substantial part of the business or property of Damstra or a Damstra group member, in each case other than as disclosed in the Pathfinder and the Prospectus or otherwise permitted by the Underwriting Agreement, without the prior written consent of the Lead Manager;
- there is any security breach, material violation of any security policy or other unauthorised access to the Damstra group's IT systems (being software (including software owned by a Damstra group member or licensed to a Damstra group member), hardware (including peripherals and storage media), networks and communication links, and data and information stored on or processed by the foregoing) that results in any breach of privacy, theft, misappropriation of funds, legal action, regulatory scrutiny, disruption of services or reputational damage in respect of the Company or the business of the Damstra group; or

- the Company varies any term of its Constitution without the prior written consent of the Lead Manager to the terms of the variation (such consent not to be unreasonably withheld or delayed) or the Company does not comply with its Constitution.

9.5.4. Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Damstra and SaleCo to the Lead Manager, as well as common conditions precedent, including the entry into voluntary escrow deeds by the Escrowed Shareholders in a form and substance acceptable to the Lead Manager (acting reasonably).

The representations and warranties given by Damstra and/or SaleCo include but are not limited to matters such as power and authorisations, compliance with applicable laws and the ASX Listing Rules, financial information, information contained in the Prospectus and the other offer documents and the public information, the conduct of the Offer and the due diligence process, litigation, intellectual property, IT systems, data privacy, encumbrances, licences, insurance, dividends and distributions, title to property, occupational health and safety, internal controls, the escrow deeds, Sale Deeds and the indemnity deed poll made by the Company in favour of SaleCo and its officers and shareholders, material contracts, tax and labour.

Damstra provides undertakings under the Underwriting Agreement which include but are not limited to: (i) not committing or being involved in any activity which breaches the Corporations Act or any other law to which Damstra is subject, any binding government agency order, the ASX Listing Rules, its constitution, any legally binding requirement of ASIC or ASX or in any material respect any other binding undertaking, instrument or authorisation; (ii) not creating or agreeing to create any encumbrance over any or all of the New Shares and the Sale Shares to be issued and transferred, respectively, in accordance with the Prospectus from the date of the Underwriting Agreement until Completion; (iii) strictly enforcing the escrow deeds relating to the Escrowed Shareholders in accordance with their terms; (iv) other than as disclosed in the Pathfinder and the Prospectus, not, at any time after the date of the Underwriting Agreement and before the expiration of 120 days after Completion reducing, reorganising or otherwise altering the capital structure of the Company or agreeing or announcing to do any of those things, except with the prior written consent of the Lead Manager or as permitted under the Underwriting Agreement; and (v) carrying on its business, and procuring that each other Damstra group member carries on its business, in the ordinary course and not disposing of or permitting any other Damstra group member to dispose of all or any material part of its or their business, assets or property or acquire any material asset except in the ordinary course, other than as disclosed in the Pathfinder and the Prospectus or with the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), until the expiration of 120 days after Completion.

Damstra also undertakes that it will not, during the period following the date of the Underwriting Agreement until 120 days after Completion, issue, agree to issue or indicate in any way that it may or will issue or agree to issue any Shares or other equity securities or securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of Damstra or any Damstra group member from time to time, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed), subject to certain exceptions. These exceptions include the issue of Shares or other relevant securities pursuant to: (i) the Offer; (ii) the Underwriting Agreement; (iii) any employee share plan, non-underwritten dividend reinvestment plan or bonus share plan; or (iv) as otherwise referred to in the Prospectus or the other offer documents.

SaleCo provides undertakings under the Underwriting Agreement which include but are not limited to: (i) not before Completion committing or being involved in any activity which breaches any law to which SaleCo is subject or any binding government agency order or, in any material respect, any other binding agreement, undertaking, instrument or authorisation; (ii) accepting all offers made to it under the Sale Deeds to the extent necessary to satisfy accepted valid Applications; and (iii) not creating or agreeing to create any encumbrance over any or all of the Shares to be sold by SaleCo under the Offer.

9.5.5. Indemnity and guarantee

Subject to certain exclusions relating to, among other things, gross negligence, fraud or wilful misconduct by an indemnified party, Damstra agrees to keep the Lead Manager and certain of the Lead Manager's affiliated parties indemnified from claims and losses relating to or arising from the Offer, the preparation or distribution of the offer documents or the public information or the Underwriting Agreement or the transactions which relate to it.

Damstra has given a guarantee in favour of the Lead Manager (and in respect of the indemnity referred to above, the other indemnified parties) in respect of the performance by SaleCo of its obligations under the Underwriting Agreement. The guarantee expires upon the earlier of Completion or termination of the Underwriting Agreement.

9.6. CONSENTS TO BE NAMED AND INCLUSION OF STATEMENT AND DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Morgan Stanley Australia Securities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager to the Offer in the form and context in which it is named;
- Morgans has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters and stamp duty) to Damstra and SaleCo in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to Damstra, in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Damstra in relation to the Financial Information in connection with the Offer in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information in the form and context in which they are included in this Prospectus;
- RSM Australia Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax adviser to Damstra and SaleCo in connection with the Offer, in the form and context in which it is named;
- Frost & Sullivan Australia Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as industry consultant to Damstra and SaleCo in connection with the Offer in the form and context in which it is named; and
- Computershare has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Damstra in the form and context in which it is named. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

None of the entities or persons referred to above has authorised or caused the issue of this Prospectus or has made or purports to make any statement or representation included in this Prospectus or any statement on which a statement included in this Prospectus is based, except as stated above. To the maximum extent permitted by law, each of the entities and persons referred to above expressly disclaims, makes no representation regarding, and takes no responsibility for, any statements or material in or omissions from this Prospectus, other than with respect to its name or as stated above.

9.7. DESCRIPTION OF SYNDICATE

The Lead Manager to the Offer is Morgan Stanley Australia Securities Limited.

The Co-Manager to the Offer is Morgans Financial Limited.

9.8. REGULATORY RELIEF

9.8.1. ASIC exemptions and relief

The Company has received in-principle advice from ASIC as described below:

- relief to effectively extend the benefit of ASIC Class Order 14/1000 to the EIP. This provides the Company with conditional relief from the requirement to issue disclosure documentation in connection with the issue or grant of Options and Shares under the EIP, as well as relieving the Company from the operation of the licensing, advertising, securities hawking and management investment scheme provisions of the Corporations Act for offers of such securities in accordance with ASIC's conditions;
- modification of section 707(3) of the Corporations Act so as to permit the 'on-sale' of the Shares issued on the conversion of the Convertible Notes, which will be offered other than under the Prospectus, without such sales being deemed an indirect issue for the purposes of that section; and

- relief from section 606 of the Corporations Act to permit the acquisition by Damstra of a relevant interest in more than 20% of the Shares by virtue of the voluntary escrow deeds, on certain conditions, as well as modification of section 671B of the Corporations Act to require Damstra to make substantial holding disclosure of the relevant interest it would have acquired, but for relief, as a result of the voluntary escrow deeds.

In addition, the Company has received from ASIC an exemption from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to permit communications with employees of Damstra and Existing Shareholders of Damstra in relation to the Offer prior to lodgement of this Prospectus.

9.8.2. ASX waivers

The Company has sought in-principle advice from ASX to grant the following waivers from the ASX Listing Rules:

- a waiver from condition 12 of ASX Listing Rule 1.1 in relation to Options having a nil exercise price to be granted prior to Listing to Non-Executive Directors (or their associates) and to certain senior executives of Damstra (or their associates) pursuant to the EIP (as described in Section 6.3.2); and
- a waiver from ASX Listing Rule 10.14 to permit the grant of Options to a Director (or an associate of a Director) pursuant to the EIP, and the issue of Shares to a Director (or an associate of a Director) upon exercise of such Options, without shareholder approval.

In addition, Damstra has obtained in-principle advice from ASX that its securities are not restricted securities for the purposes of Chapter 9 of the ASX Listing Rules as Damstra has a track record of revenue acceptable to ASX.

9.9. OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia are regulated by Australian laws and laws in other countries in which the Company operates that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.9 contains a general description of these laws.

9.9.1. Corporations Act

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

9.9.2. *Foreign Acquisitions and Takeovers Act 1975* (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) ("**FATA**") applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates ("**Substantial Interest**"), or 40% or more by two or more unassociated foreign persons and their associates ("**Aggregate Substantial Interest**"). Where a foreign person holds a Substantial Interest in the Company or foreign persons (subject to certain exceptions for small foreign holders) hold an Aggregate Substantial Interest in the Company, the Company itself will be a "foreign person" for the purposes of the FATA.

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition must be notified to the Commonwealth Treasurer and may not occur without the prior approval of the Commonwealth Treasurer. An acquisition of a Substantial Interest, or an Aggregate Substantial Interest meeting certain criteria without such approval, may also lead to divestment orders, among other things, if the Treasurer determines that the acquisition is contrary to the national interest.

In addition, under the FATA, all foreign government investors (which is defined broadly to include investors such as public pension funds) also require approval to acquire an interest of 10% or more (and in some cases less than 10%) in an Australian entity or an Australian business, irrespective of the value of the investment. This will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company.

9.10. LITIGATION AND CLAIMS

Damstra is, from time to time, party to various disputes and legal proceedings related to the conduct of its business, including intellectual property disputes, employment disputes and contractual disputes.

The Directors are not aware of any current or threatened litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which Damstra is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Damstra.

9.11. TAXATION CONSIDERATIONS

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

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

The summary in this Section 9.11 is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given investor. The individual circumstances of each investor may affect the taxation implications of the investment of the investor.

It is recommended that all investors consult their own independent tax advisers regarding the income tax (including capital gains tax ("**CGT**")), stamp duty and Goods and Services Tax ("**GST**") consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary in this Section 9.11 is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Prospectus. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by investors in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act.

9.11.1. Dividends on a Share

9.11.1.1 Individuals and Complying Superannuation Entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" or where the investor receives less than $5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income in an income year, such investors should be entitled to a tax refund.

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

9.11.1.2 Corporate Investors

Corporate investors are required to include both the dividend and associated franking credit in their assessable income, subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

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

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

9.11.1.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and the associated franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

9.11.1.4 Shares held at risk

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

Broadly, to be a qualified person, an investor must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares "at risk" for more than 45 days continuously, in the period beginning the day after the day on which the investor acquires the Shares, and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the dividend to another person.

The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

9.11.1.5 Dividend washing

The benefit of franking credits can be denied where an investor engages in dividend washing and triggers specific dividend washing integrity measures. Where these measures apply, no tax offset is available and no amount is required to be included in your assessable income in respect of franking credits received as a result of dividend washing. Investors should consider the impact of these rules having regard to their own personal circumstances.

9.11.1.6 Disposal of Shares

The disposal of a Share by an investor will be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's-length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months, and certain other requirements have been met.

Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

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

9.11.1.7 Tax file numbers ("TFN")

Resident investors may, if they choose, notify Damstra of their TFN or ABN or a relevant exemption from withholding tax with respect to dividends. In the event Damstra is not so notified, tax will automatically be deducted as the highest marginal rate (including where relevant, the Medicare Levy and Temporary Budget Repair Levy) from unfranked dividends and/or distributions.

Australian tax resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

9.11.1.8 Stamp duty

Investors should not be liable for stamp duty in respect of their holding of Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.1.9 Goods and Services Tax (“GST”)

No GST should be payable by investors in respect of the acquisition or disposal of their Shares in Damstra regardless of whether or not the investor is registered for GST.

Investors may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect relevant to their particular circumstances.

No GST should be payable by investors on receiving dividends distributed by Damstra Limited.

9.12. GOVERNING LAW

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

9.14. STATEMENT OF DIRECTORS

This Prospectus is authorised by each Director of Damstra and SaleCo. Each Director has consented to the lodgement of this Prospectus with ASIC and the issuance of this Prospectus, and has not withdrawn that consent.

APPENDIX A:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

APPENDIX A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 are set out below.

Critical accounting estimates and judgements

Historical cost convention

The Financial Information has been prepared on a historical cost basis.

Critical accounting estimates and judgements

Damstra makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the Financial Information are impairment of goodwill, estimated fair value of assets or liabilities acquired in business combinations including goodwill and intangibles and estimated fair value of share-based payments.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which Damstra has control. Damstra controls an entity when Damstra is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Damstra. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by Damstra.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Damstra.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Foreign currency translation

Functional and presentation currency

Items included in the Financial Information for each of Damstra's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Information is presented in Australian dollars ($), which is Damstra's functional and presentation currency. The consolidated Financial Information is presented in Australian dollars ($), which is Damstra's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Revenue recognition

Revenue

Damstra recognises revenue predominantly from the provision of software services (processing and development) and the rental of hardware equipment.

Software services revenue primarily consists of fees that give customers access to Damstra's workplace management software solution, which also includes related customer support and maintenance. These revenues are recognised over time as they are delivered and consumed concurrently over the service period, beginning on the date the service is made available to the customer. Software services typically have a term of 12 months duration and are subject to penalties for early termination by the customer.

Revenue from the rental of hardware equipment consists of fees that give customers access to hardware (which drives the workplace management software solution) and includes (amongst other hardware) alcolisers, biometric technology, login terminals, hand-held devices. These revenues are recognised over time as customers derive the benefit from the hardware, beginning on the date the service is made available to the customer. Hardware rental contracts typically have a term of 12 months duration.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Other income

Other income comprises Australian research and development grants and other income earned from third parties

Revenue recognition

To determine whether to recognise revenue, Damstra follows a five-step process:

(1) Identifying the contract with a customer;

(2) Identifying the performance obligations within the customer contract;

(3) Determining the transaction price;

(4) Allocating the transaction price to the performance obligations; and

(5) Recognising revenue when/as performance obligation(s) are satisfied.

Contract liabilities

Where consideration is received for subscription revenue in advance of Damstra satisfying the corresponding performance obligations, a contract liability is recognised in the consolidated statement of financial position and will be subsequently released into the consolidated statement of comprehensive income when control of the promised service is transferred to the customer.

Government grants

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and Damstra will comply with all attached conditions. In relation to research and development ("**R&D**") government grants, to the extent that these relate to costs which have been expensed as incurred, the government grant income is recognised as 'R&D tax incentive income'. To the extent that these relate to costs which have been capitalised to intangible assets, the government grant income is initially included in current and non-current liabilities as deferred income and is subsequently credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where Damstra and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Leases

Leases of property, plant and equipment where Damstra, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Damstra will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Damstra as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by Damstra;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the profit or loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

Cash and cash equivalents (excluding bank overdrafts)

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Damstra holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Investments and other financial assets

Classification

From 1 July 2018, Damstra classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether Damstra has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

Damstra reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Damstra commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Damstra has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, Damstra measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on Damstra's business model for managing the asset and the cash flow characteristics of the asset. Damstra classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Equity instruments

Damstra subsequently measures all equity investments at fair value. Where Damstra's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when Damstra's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable.

Impairment

From 1 July 2018, Damstra assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, Damstra applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policies applied until 30 June 2018

Damstra has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with Damstra's previous accounting policy.

Classification

Until 30 June 2018, Damstra classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, Damstra could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if Damstra had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of AASB 9.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses).

Impairment

Damstra assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Damstra and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- plant and equipment: 3-5 years;
- leasehold improvements: 4-5 years; and
- motor Vehicles: 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Intangible assets

Goodwill

Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Customer contracts

The customer contracts were acquired as part of multiple business combinations (which occurred in this financial year and historical financial years). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

Software

Software consists of capitalised development costs being an internally generated intangible asset and externally acquired software.

Development costs

In relation to Damstra's internally generated intangible assets, the initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed and when the preliminary research phase has been completed. These costs are analysed on a monthly basis to determine what amount is to be capitalised. Only costs directly relating to the development phase (design, construction and testing) are capitalised, excluding research and general project administrative costs.

Damstra's policy is to capitalise expenditure for new product development or product development that significantly enhances existing software that is expected to result in significant commercial benefits. After initial recognition, development costs are to be carried at their cost less accumulated amortisation and any accumulated impairment losses on the consolidated statement of financial position. The capitalised development costs are to be amortised over the useful life of the developed software. The estimated useful life is three years and amortised on a straight-line basis.

At least annually, an assessment is to be performed to ensure that both the amortisation period and amortisation methods are still appropriate. The written down value of capitalised development costs is to be reviewed for impairment indicators at least annually, in accordance with AASB 136 *Impairment of Assets*, or sooner if circumstances indicate that the carrying amount might not be recoverable.

Amortisation methods and useful lives

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised, but it tested for impairment annually of more frequently if events or changes in circumstances indicate that it might be impaired. The estimated useful lives are as follows:

- customer contracts: 5 – 15 years; and
- software: 3 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Trade and other payables

These amounts represent liabilities for goods and services provided to Damstra prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless Damstra has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

Provisions

Provisions are recognised when Damstra has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Damstra's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, Damstra revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

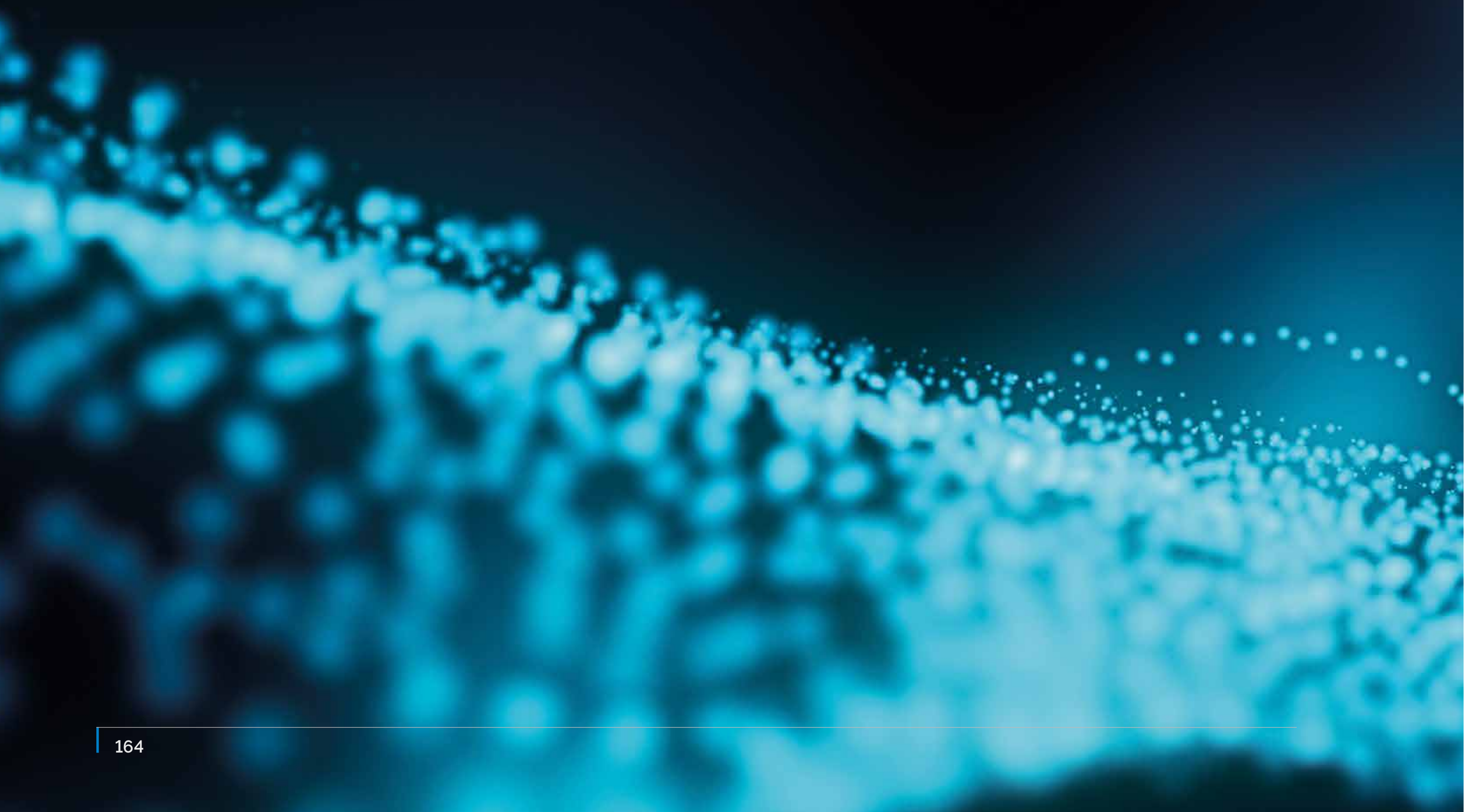
Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

APPENDIX B: GLOSSARY



B APPENDIX B: GLOSSARY

TERM	DESCRIPTION
AAS or **Australian Accounting Standards**	Australian Accounting Standards and other authoritative pronouncements adopted by the AASB and Urgent Issues Group interpretations
AASB	Australian Accounting Standards Board
ACN	Australian Company Number
Acquisition Facility	$6.0m Bank Bill Business Loan with principal and interest repayments
Acquisitions	Acquisitions of safeSTAX, WMS, EIFY and Velpic
Aggregate Substantial Interest	Definition under the FATA meaning acquisitions of shares and voting power in a company of 40% or more by two or more unassociated foreign persons and their associates
AGM	Annual general meeting
API	Application programming interface
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount of monies for an Application and accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by it (as the context requires)
ASX Listing Rules	The official listing rules of the ASX, as amended, modified or waived from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd (ACN 008 504 532)
Award	Options or performance rights granted under the EIP
AWS	Amazon Web Services
BAC	Blood alcohol concentration
Banking Facilities	$11.6 million revolving facilities entered into by Damstra with Westpac Banking Corporation
BBSY	Bank bill swap rate
Board	The board of Directors of the Company
Broker	Any ASX participating organisation appointed to act as a broker to the Offer

B APPENDIX B: GLOSSARY

TERM	DESCRIPTION
Broker Firm Offer	The offer of Shares under this Prospectus to eligible Australian resident retail clients of Brokers
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CGT	Capital Gains Tax
CHESS	ASX's Clearing House Electronic Subregister System
Co-Manager	Morgans Financial Limited (ACN 010 669 726)
Company	Damstra Holdings Limited (ACN 610 571 607)
Completion or **Completion of the Offer**	The completion of the Offer, being the date on which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of Damstra
Convertible Notes	Convertible notes issued by the Company, which will be converted into New Shares prior to Completion
Corporations Act	*Corporations Act 2001* (Cth)
Damstra (and we, us and our)	The Company and its subsidiaries, and their businesses, as the context permits
Damstra Party or **Damstra Parties**	Has the meaning given in the "Important information" section at the front of the Prospectus
Damstra Person	Has the meaning given in Section 6.5.5.2
Damstra Technology	Damstra Technology Pty Ltd (ACN 086 218 742)
Director	Each of the directors of the Company and/or SaleCo (as the context requires) from time to time
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIFY	EIFY Pty Ltd (ACN 136 720 780)
EIP	Equity Incentive Plan
Eligible Gift Employees	Means persons who are resident in Australia on a fixed-term contract and have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date (provided that they remain so employed and have not given, or been given, notice to terminate employment when the Employee Gift Offer closes, which is expected to be on or around Thursday, 10 October 2019). Employees who are Directors or senior executives of the Company are not Eligible Gift Employees

TERM	DESCRIPTION
Eligible U.S. Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (within the meaning of Rule 902(k) of Regulation S of the U.S. Securities Act) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act
Employee Gift Offer	The offer of Shares under this Prospectus to Eligible Gift Employees
ERP	Enterprise resource planning
Escrowed Shareholders	Has the meaning given in Section 1.8
Exercise Conditions	Conditions required to be satisfied in order to exercise the Awards
ExPost-IPO Awards	Executive Post-IPO Awards to be granted under the EIP
ExPost-IPO Awards Outcome	Value of the incentive opportunity available under the Ex Post-IPO Awards to the extent that applicable KPIs are met
Existing Shares	Shares held by all Existing Shareholders as at the Prospectus Date
Existing Shareholders	Persons owning Shares in the Company prior to Completion
Expiry Date	13 months after the date of the Original Prospectus
Exposure Period	The seven-day period commencing on the date of lodgement of the Original Prospectus with ASIC, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth)
Financial Information	Together, the Historical Financial Information and Forecast Financial Information
Forecast Financial Information	Together, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information
Forgone Board Fees	A portion (or all) of future Non-Executive Director Board fees (including committee fees, if applicable) on a pre-tax basis for a set period of time as relevant under the NED Post-IPO Awards
FTE	Full-time equivalents
FY2017	The 12-month period ended 30 June 2017
FY2018	The 12-month period ended 30 June 2018
FY2019	The 12-month period ended 30 June 2019
FY2020	The 12-month period ended 30 June 2020
GST	Australian Goods and Services Tax
HIN	Holder Identification Number

B APPENDIX B: GLOSSARY

TERM	DESCRIPTION
Historical Financial Information	Together, the Statutory Historical Financial Information and the Pro Forma Historical Financial Information
HSE	Health, safety and environmental
IASB	International Accounting Standards Board
Industry Data	Statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Damstra's business and markets
IFRS	International Financial Reporting Standards
Institutional Investor	Investors who are (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act, respectively; or (b) institutional investors in certain other jurisdictions, as agreed between the Company and the Lead Manager, to whom offers or invitations in respect of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company and SaleCo are willing, in its absolute discretion, to comply), in either case, provided that if such person is in the United States, it is an Eligible U.S. Fund Manager
Institutional Offer	An offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus
IPO	Initial public offering
IT	Information technology
KPIs	Key performance indicators
Lead Manager	Morgan Stanley Australia Securities Limited (ACN 078 652 276)
Leasing Facility	$4.6 million Revolving Leasing Facility with principal and interest repayments
Listing	Admission of the Company to the Official List and quotation of the Shares on ASX
M&A	Mergers and acquisitions
NED Post-IPO Awards	Has the meaning given in Section 6.3.2.5
Net Debt	Borrowings plus bank guarantees and insurance bonds less cash on the consolidated statement of financial position
New Shares	New Shares to be issued by the Company under the Offer
Nil-Priced Options	Nil exercise price options granted to other key executives under the Pre-IPO Awards
NPAT	Net profit/(loss) after taxation
Non-Executive Director	A member of the Board who does not form part of the Company's management
Non-Statutory Information	Information, measures and ratios to manage and report on performance which are prepared on a basis that is not in accordance with all relevant accounting standards

TERM	DESCRIPTION
Offer	The invitation under this Prospectus to subscribe for New Shares to be issued by the Company and Existing Shares for sale by SaleCo
Offer Period	The period from the opening date to the closing date of the Retail Offer
Offer Price	$0.90 per Share
Official List	The official list of the ASX, of entities which have been admitted to, and not removed from, listing
OHS	Occupational health and safety
Options	Options granted under the EIP
Original Prospectus	The prospectus dated 23 September 2019 in relation to the Offer, which is replaced by this Prospectus
Pathfinder	The draft Prospectus for the Offer, dated Friday, 6 September 2019 for the Institutional Offer that has been provided to Institutional Investors
Pre-IPO Awards	Has the meaning given in Section 6.3.2.3
Premium-Priced Options	Executive Chairman and CEO options granted under the Pre-IPO Awards with an exercise price set at a 70% premium to the value of the underlying Damstra Shares at the time of the grant
Priority Offer	The component of the Offer of Shares to selected investors nominated by the Company who have received a Priority Offer invitation
Pro Forma Forecast Financial Information	Pro forma forecast consolidated statement of financial performance and pro forma forecast consolidated statement of cash flows
Pro Forma Historical Financial Information	Pro forma historical consolidated statement of financial position, the pro forma historical consolidated statements of financial performance and pro forma historical consolidated statements of cash flows
Prospectus	This document dated Monday, 30 September 2019, which is a replacement prospectus which replaces the Original Prospectus and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being Monday, 30 September 2019
PwC	PricewaterhouseCoopers
R&D	Research and development
Retail Offer	The Broker Firm Offer, Employee Gift Offer and Priority Offer
RFID	Radio-frequency identification
SaaS	Software-as-a-service
safeSTAX	Certain assets of SGS Australia Pty Ltd (ACN 000 964 278) and SGS Group Management SA

B APPENDIX B: GLOSSARY

TERM	DESCRIPTION
SaleCo	Damstra SaleCo Limited (ACN 363 039 560)
Sale Deed	A sale deed poll executed by each Selling Shareholder in favour of the Company and SaleCo in respect of the offer for sale of some or all of that Selling Shareholder's Shares to SaleCo
Selling Shareholders	Existing shareholders who offer to sell Shares to SaleCo
Settlement	The Settlement in respect of the Shares which are the subject of the Offer occurring under the Underwriting Agreement
Shares	Fully paid ordinary shares in the capital of the Company
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shareholder	The registered holder of one or more Shares
Skilled Group	Skilled Group Limited (ACN 005 585 811) (now Programmed Skilled Workforce Limited)
SOC	System and organisation controls
SRN	Securityholder Reference Number
Statutory Forecast Financial Information	Statutory forecast consolidated statement of financial performance and statutory forecast consolidated statement of cash flows
Statutory Historical Financial Information	Statutory historical consolidated statement of financial position, statutory historical consolidated statements of financial performance and statutory historical consolidated statements of cash flows
Substantial Interest	Definition under the FATA meaning acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates
Successful Applicants	Applicants who submit a successful Application
TFN	Tax file number
Underwriting Agreement	The underwriting agreement (as amended or supplemented) entered into between the Lead Manager, the Company and SaleCo dated Monday, 23 September 2019
U.S. or **United States**	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
U.S. Securities Act	U.S. Securities Act of 1933
Velpic	VPCL Ltd (ACN 149 197 651) and VPCA Pty Ltd (ACN 159 196 120)
Vesting Conditions	Applicable performance, service and other vesting conditions specified at the time of a grant under the EIP
WMS	Worksafe Management Systems Pty Limited (ACN 060 679 941)
Working Capital Facility	$0.5m Bank Bill Business Loan with interest only repayments
You	The investors under this Prospectus, and **Your** has the corresponding meaning

Damstra Holdings Limited

ACN 610 571 607

Broker Code

Adviser Code

Broker Firm Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your accountant, financial adviser, lawyer, stockbroker or other professional adviser without delay.

This is an Application Form for Shares in Damstra Holdings Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 30 September 2019. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you. This Application Form should be read in conjunction with the Prospectus. Capitalised words used in this Application Form and not otherwise defined have the same meanings given to them in the Prospectus.

The Prospectus contains information relevant and important to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

This Application Form must not be released or distributed in the United States, or in any jurisdiction outside Australia where distribution may be restricted by law.

The closing date for the Broker Firm Offer is 5:00pm (Melbourne time) on 10 October 2019. Please refer to the back of the Application Form for instructions on how to lodge your Application.

A I/we apply for

Number of Shares in Damstra Holdings Limited at A$0.90 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Money

A$.

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours ( )

F CHESS Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Cheques should be drawn up according to the instructions provided by your Broker.

By submitting this Application Form:

- I/we declare, represent and warrant that this Application is complete and lodged according to the Prospectus, and the declarations / statements on the reverse of this Application Form;
- I/we make the acknowledgements, declarations, representations and warranties set out in the Prospectus (including Section 7.9) and this Application Form and declare, represent and warrant that all declarations, details and statements made and/or provided by me/us are complete and accurate;
- I/we agree to be bound by the Constitution of Damstra Holdings Limited and the terms of the Offer, and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus including, without limitation, those set out in Section 7.12;
- I/we declare, represent and warrant that I am/we are at least 18 years of age and are Australian resident retail client(s) of participating Brokers who have a registered address in Australia and have received an invitation from a Broker to acquire Shares;
- I/we acknowledge that once the Application is returned it may not be withdrawn or varied except as required by law, and the decision as to whether to treat an Application as valid is final; and
- I/we authorise Damstra Holdings Limited, Damstra SaleCo Limited and the Lead Manager and their respective officers or agents to do anything on my/our behalf necessary for the Shares to be issued to me/us.

See overleaf for completion guidelines ➔

How to complete this Broker Firm Offer Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. You must apply for a minimum of $1,000 worth of Shares and in multiples of $500 worth of Shares thereafter. You may be issued all of the Shares applied for or a lesser number.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of A$0.90.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding and register of Shares. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from Damstra Holdings Limited, Damstra SaleCo Limited and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
Damstra Holdings Limited participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Damstra Holdings Limited and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions.

The Shares to which this Application Form relates are Damstra Holdings Limited Shares. Further details about the Shares are contained in the Prospectus. No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the Prospectus was issued. While the Prospectus is current, Damstra Holdings Limited will send paper copies of the Prospectus and the Application Form, free of charge to Australian resident investors on request. ASIC and the Corporations Act require that a person who provides access to an application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates carefully and in its entirety. By lodging the Application Form, the Applicant agrees that this Application for Shares in Damstra Holdings Limited is upon and subject to the terms of the Prospectus and the Constitution of Damstra Holdings Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens at 9:00am (Melbourne time) on 1 October 2019 and is expected to close at 5:00pm (Melbourne time) on 10 October 2019. Damstra Holdings Limited, Damstra SaleCo Limited and the Lead Manager reserve the right to vary the timetable without prior notice, including by closing the Offer before the scheduled closing date or by extending the closing date.

If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. Do NOT lodge this Application form with the Share Registry.

None of the Share Registry, Damstra Holdings Limited or Damstra SaleCo Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means. None of Damstra Holdings Limited, Damstra SaleCo Limited, the Lead Manager or the Share Registry takes any responsibility for any acts or omissions of your Broker in connection with your Application.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant closing date for the Broker Firm Offer or any earlier date as determined by your Broker.

Privacy Notice

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act. The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Damstra Holdings Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Damstra Holdings Limited

ACN 610 571 607

Broker Code

Adviser Code

Broker Firm Offer Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your accountant, financial adviser, lawyer, stockbroker or other professional adviser without delay.

This is an Application Form for Shares in Damstra Holdings Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 30 September 2019. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you. This Application Form should be read in conjunction with the Prospectus. Capitalised words used in this Application Form and not otherwise defined have the same meanings given to them in the Prospectus.

The Prospectus contains information relevant and important to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

This Application Form must not be released or distributed in the United States, or in any jurisdiction outside Australia where distribution may be restricted by law.

The closing date for the Broker Firm Offer is 5:00pm (Melbourne time) on 10 October 2019. Please refer to the back of the Application Form for instructions on how to lodge your Application.

A **I/we apply for**

Number of Shares in Damstra Holdings Limited at A$0.90 per Share or such lesser number of Shares which may be allocated to me/us.

B **I/we lodge full Application Money**

A$.

C **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter the postal address - include State and Postcode**

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours ( )

F **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G **Payment details - Please note that funds are unable to be directly debited from your bank account**

Drawer	**Cheque Number**	**BSB Number**	**Account Number**	**Amount of cheque**
				A$

Cheques should be drawn up according to the instructions provided by your Broker.

By submitting this Application Form:

- I/we declare, represent and warrant that this Application is complete and lodged according to the Prospectus, and the declarations / statements on the reverse of this Application Form;
- I/we make the acknowledgements, declarations, representations and warranties set out in the Prospectus (including Section 7.9) and this Application Form and declare, represent and warrant that all declarations, details and statements made and/or provided by me/us are complete and accurate;
- I/we agree to be bound by the Constitution of Damstra Holdings Limited and the terms of the Offer, and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus including, without limitation, those set out in Section 7.12;
- I/we declare, represent and warrant that I am/we are at least 18 years of age and are Australian resident retail client(s) of participating Brokers who have a registered address in Australia and have received an invitation from a Broker to acquire Shares;
- I/we acknowledge that once the Application is returned it may not be withdrawn or varied except as required by law, and the decision as to whether to treat an Application as valid is final; and
- I/we authorise Damstra Holdings Limited, Damstra SaleCo Limited and the Lead Manager and their respective officers or agents to do anything on my/our behalf necessary for the Shares to be issued to me/us.

See overleaf for completion guidelines ➔

How to complete this Broker Firm Offer Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. You must apply for a minimum of $1,000 worth of Shares and in multiples of $500 worth of Shares thereafter. You may be issued all of the Shares applied for or a lesser number.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of A$0.90.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding and register of Shares. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from Damstra Holdings Limited, Damstra SaleCo Limited and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
Damstra Holdings Limited participates in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Damstra Holdings Limited and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions.

The Shares to which this Application Form relates are Damstra Holdings Limited Shares. Further details about the Shares are contained in the Prospectus. No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the Prospectus was issued. While the Prospectus is current, Damstra Holdings Limited will send paper copies of the Prospectus and the Application Form, free of charge to Australian resident investors on request. ASIC and the Corporations Act require that a person who provides access to an application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates carefully and in its entirety. By lodging the Application Form, the Applicant agrees that this Application for Shares in Damstra Holdings Limited is upon and subject to the terms of the Prospectus and the Constitution of Damstra Holdings Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens at 9:00am (Melbourne time) on 1 October 2019 and is expected to close at 5:00pm (Melbourne time) on 10 October 2019. Damstra Holdings Limited, Damstra SaleCo Limited and the Lead Manager reserve the right to vary the timetable without prior notice, including by closing the Offer before the scheduled closing date or by extending the closing date.

If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. Do NOT lodge this Application form with the Share Registry.

None of the Share Registry, Damstra Holdings Limited or Damstra SaleCo Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means. None of Damstra Holdings Limited, Damstra SaleCo Limited, the Lead Manager or the Share Registry takes any responsibility for any acts or omissions of your Broker in connection with your Application.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant closing date for the Broker Firm Offer or any earlier date as determined by your Broker.

Privacy Notice

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act. The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Damstra Holdings Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

DAMSTRA HOLDINGS LIMITED

Registered office:

Level 1, 38-40 Garden Street
South Yarra, VIC, 3141, Australia

LEAD MANAGER

Morgan Stanley Australia Securities Limited

Level 39, Chifley Tower, 2 Chifley Square
Sydney, NSW, 2000, Australia

CO-MANAGER

Morgans Financial Limited

Level 21, Aurora Place, 88 Phillip Street
Sydney, NSW, 2000, Australia

LEGAL ADVISER

Gilbert + Tobin

Level 22, 101 Collins Street
Melbourne, VIC, 3000, Australia

INVESTIGATING ACCOUNTANT

PricewaterhouseCoopers Securities Ltd

2 Riverside Quay
Southbank, VIC, 3006, Australia

INDEPENDENT AUDITOR

PricewaterhouseCoopers

2 Riverside Quay
Southbank, VIC, 3006, Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford, VIC, 3067, Australia

OFFER WEBSITE

https://damstra.thereachagency.com

CORPORATE WEBSITE

https://workplace.damstratechnology.com

www.colliercreative.com.au #DAM0001

DAMSTRA

TRACK • MANAGE • PROTECT