ATOMOS

Prospectus

Atomos Limited

ACN 139 730 500

Prospectus for the initial public offering of up to 14,634,146 ordinary shares in the Company at an offer price of $0.41 per share to raise $6.0 million.

Underwriters and Joint Lead Managers

Morgans Corporate Limited
(AFSL 235407)

Henslow Pty Limited
(AFSL 483168)

Australian Legal Adviser

Maddocks Lawyers

Important Notices

Offer

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares in Atomos Limited (ACN 139 730 500) (**Company**). This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act.

Lodgement and Listing

This Prospectus is dated 30 November 2018 (**Prospectus Date**) and a copy of this Prospectus was lodged with ASIC on that date. The Company will apply to ASX for admission of the Company to the official list of ASX and for quotation of its Shares on ASX within seven days after the date of this Prospectus. Neither 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.

Expiry Date

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Prospectus Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Joint Lead Managers in connection with the Offer.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Company's Shares, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 5. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

No offer where offer 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 the Shares, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional and sophisticated investors as part of the institutional offer in certain jurisdictions as described in Section 8.7. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Notice to United States residents

The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

Financial information and amounts

Section 4 of this Prospectus sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that Financial Information.

Historical Financial Information is presented on both a statutory and pro forma basis (refer Section 4.2) and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

This Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. 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 Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis and is unaudited.

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. 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 a summary of the Company's significant accounting policies in Appendix 1.

Investors should note that certain financial data included in the Prospectus is not recognised under the AAS, and is classified as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Atomos. The non-IFRS financial measures do not have standardised meanings under AAS, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with AAS. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest $'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Disclaimer

No person is authorised by the Company or the Joint Lead Managers to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its directors, the Joint Lead Managers or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Exposure period

The Corporations Act prohibits the Company from processing Applications for Shares under the Offer in the seven-day period after the date of lodgement of the Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form by being posted on the following website www.atomos.com. 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.

During the Exposure Period, this Prospectus will be made generally available to Australian residents without the Application Form, by being posted on www.atomos.com.

Electronic prospectus

This Prospectus will be available in electronic form on the following website: www.atomos.com.

Obtaining a copy of the Prospectus

A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Atomos Offer Information Line on 1300 737 760 between 8.30am and 5.00pm AEDT, Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 2 9290 9600.

This Prospectus will be made available in electronic form on the following website: www.atomos.com. Information contained on www.atomos.com, other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the United States).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company on the above. A paper copy of this Prospectus will be available for Australian and New Zealand residents free of charge by contacting the Atomos Offer Information Line.

Tel: 1300 737 760 (from within Australia) or
+61 2 9290 9600 (from outside Australia)
(between 8:30am to 5:30pm AEDT).

Applications for the Shares under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at www.atomos.com.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act.

Cooling off rights

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

Privacy

The Company, the Share Registry on its behalf, and the Joint Lead Managers may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Securities that you hold) . Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at www.atomos.com. Alternatively, you can contact the Company by telephone on +61 2 9290 9600 from 8:30am to 5:30pm AEDT, Monday to Friday (excluding public holidays) or email at info@atomos.com.au and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at www.atomos.com).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Definitions, abbreviations and time

Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 11.

All references to time in this Prospectus refer to Sydney, Australia time unless stated otherwise.

Photographs, data and diagrams

Photographs and diagrams used in this Prospectus which do not have any 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 the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which they depict.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 30 November 2018.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

Contents

"Our vision is to invent and deliver groundbreaking and disruptive technologies that enhance, simplify and ultimately democratise video content creation"

To achieve our vision we focus on:

1. controlling and optimising processing, storage and display of raw video images from cameras to our monitor recorder devices to enhance story telling;
2. improving the content creator's range of tools from any camera by increasing record time, quality, resolution, frame rate and decreasing complexity and cost of equipment; and
3. delivering cohesive integrated solutions through strategic relationships with leaders in the imaging and computer industries to enhance end to end video content creation.

Important dates

Lodgement of the Prospectus with ASIC	30 November 2018
Offer opens	10 December 2018
Offer closes	5:00pm 18 December 2018
Allotment of Shares	21 December 2018
Expected date for dispatch of holding statements	21 December 2018
Trading of Shares commences on ASX (on a normal settlement basis)	28 December 2018

The above timetable is indicative only. All times and dates are Australian Eastern Daylight Time. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

Key Offer Statistics

Company	Atomos Limited
Proposed ASX Code for the Shares	AMS
Securities offered	Fully paid Shares
Offer Price per Share	$0.41
Number of Shares at the date of this Prospectus[1]	137,190,378
Gross proceeds of the Offer[2]	$6,000,000
Number of new Shares issued under the Offer	14,634,146
Total number of Shares on issue on completion of the Offer	151,824,524
Total number of Shares on issue on completion of the Offer on a fully diluted basis[3]	163,551,786
Indicative market capitalisation on completion of the Offer[4]	$62.2m
Enterprise value on completion of the Offer[5]	$51.8m

Notes:

1. Assuming that the Convertible Notes converted immediately prior to the date of the Prospectus as described in section 10.4. This excludes $1.95 million of existing Convertible Notes that will be redeemed.
2. Calculated by multiplying the total number of New Shares to be issued under the Offer by the Offer Price.
3. Calculated as the sum of the total number of Shares on issue at Completion of the Offer plus the number of Shares that would be issued if all of the Options and Performance Rights on issue at completion of the Offer were exercised or vested (as applicable) in full.
4. Calculated by multiplying the total number of Shares on issue at Completion of the Offer by the Offer Price (assuming no Options are exercised).
5. Calculated as indicative market capitalisation on Completion of the Offer assuming no Options are exercised and no Performance Rights vest, less pro forma net cash as at 30 June 2018.

Chairman's Letter

"In a world where video is increasingly becoming the medium for content delivery, Atomos provides the ground-breaking products to improve the quality and accessibility of the creative process from the point of capture right through to delivery and distribution"

30 November 2018

Dear Investor,

On behalf of the Board of Directors, I am pleased to be able to offer you the opportunity to become a shareholder in Atomos Limited (the **Company**).

Atomos is a global software and hardware technology company that creates, develops and commercialises ground-breaking products for the rapidly growing content creation market. The business was founded eight years ago when it created its first video monitor-recorder. That monitor-recorder converged separate existing and more expensive products and allowed users to transform the quality of the editing and production output of their video camera for a fraction of the cost than had previously been the case. Since that day Atomos, working alongside an ever-expanding ecosystem of key technology providers that include Apple, Adobe, Sony, Canon, JVC KENWOOD, Nikon, FUJIFILM and Panasonic, has been part of the rapid 'democratisation' and expansion of high-quality and accessible video content creation.

Globally, video is growing extremely strongly across numerous markets, be it streaming services (e.g. Netflix), online advertising, independent film production or the simple capture of a pivotal moment such as a wedding. In addition to this, the accessibility of new social media platforms which allow content creators to produce, share and monetise their work is further driving content growth. This strong growth is only increasing, for example it is estimated that there are over 900 million content creators with annual growth in content creator numbers of 23% p.a. from 2012 to 2016[1].

Over the last eight years Atomos has continued to develop its technology and extend its monitor-recorder range to now include 5", 7" and 19" sizes, 4K recording, HDR monitoring, slow motion and numerous other technological innovations. For example, Atomos currently has the only monitor-recorder with Apple's recently released ProRes RAW codec capability. Accessories and complimentary products have been added to the range such that global revenues of $42 million are forecast for FY2019.

In September 2018, the Company generated the first sales of its new, modular 5" monitor-recorder, the Ninja V. The Ninja V, powered by the new AtomIC platform and the new AtomOS 10 upgraded software operating system, incorporates the core technologies underpinning a new range of monitor-recorders to be released across various screen sizes and price points over the next 12-24 months. This will result in a doubling of the current core range of seven products. Initial sales of the Ninja V are ahead of budget due to the earlier than anticipated launch date.

The purpose of the Offer is to provide funding and financial flexibility to support and accelerate Atomos' global growth strategy and support the launch of new products. The listing on the Australian Securities Exchange (**ASX**) will also provide liquidity for shareholders and provide the Company with the benefits of an increased profile as a listed entity.

The Company is led by an experienced management team with a proven track record of driving significant growth, who will own approximately 25% of the Company's diluted issued share capital, following listing on the ASX.

1. Source: The Future of Television by The Boston Consulting Group.

Chairman’s Letter continued

This Prospectus contains detailed information about the Offer, the historical and forecast financial results of the Company, operations, management team and future plans of Atomos.

Section 5 includes a description of the key risks associated with an investment in Atomos, which it is important that you understand. These include risks associated with reliance on key distributors and a lack of formal written distribution agreements, supply chain disruption and the development, launch and market acceptance of new products in order to achieve the Company’s growth objectives.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision. In addition, you should also consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Board of Directors of Atomos, I look forward to welcoming our new Shareholders.

Yours faithfully

Chris Tait
Chairman

1 Investment Overview

1 Investment Overview

▸ ABOUT THE COMPANY

Question	Answer	More Information
What is the business of Atomos?	Atomos is a global video technology company that enhances video content creation by producing products that connect the imaging and computer worlds together, from the point of capture (camera) through to displaying (monitor), processing and recording of the latest high-quality video onto affordable computer media for creative enhancement and distribution of content. The Company designs, develops and commercialises award-winning, simple to use monitor-recorder products that ensure content creators consistently have access to the latest video monitoring, processing and recording technologies, regardless of how advanced the camera or production equipment they use.	Section 3
Who uses Atomos' products?	Users of Atomos' products are video content creators – individuals or companies who create video content for distribution and/or income. These users purchase video equipment from global camera and video equipment manufacturers to create their content. Atomos divides the global camera and video equipment market into three segments: ▸ **Pro Video** – Pro Video content creators produce content for advertising, events, business and corporate projects as well as education content. ▸ **Social** – Content creators in this segment include consumers, prosumers and low-end professionals who want to create and share content on free, advertisement driven platforms such as Instagram, Facebook, Twitch and YouTube. ▸ **Entertainment** – Content creators in the entertainment segment are production companies who produce premium, high-quality entertainment content for news, television and streaming platforms.	Sections 2.2 & 2.3
What is the value proposition of Atomos' key products?	Atomos core products enhance content creation by allowing video content creators to improve recording quality, save time and maintain greater creative flexibility and control over the content creation process. Complimentary to Atomos' current range of seven core monitor recorder products, the Company also produces a range of video converters and accessories such as cables, batteries, charging and mounting solutions to make end-to-end production easier.	Section 3.3

‣ ABOUT THE COMPANY

Question	Answer	More Information
What is Atomos' strategy?	Atomos aims to continue building its market presence and sales in the Pro Video segment of the global camera and video equipment market. Atomos further intends to grow through the following strategies: ‣ **Expanding the Product Line** – Atomos intends to significantly expand its product range by leveraging its current technologies into an expanded product range including new products that target new market segments. ‣ **Expansion into Adjacent Markets** – Atomos will aim to further penetrate the adjacent high growth market segments of Social and Entertainment. ‣ **Evolve strategic technology relationships** – Atomos will maintain and further develop strong relationships with global camera manufacturers (such as Sony, Canon, Panasonic, Nikon, JVC KENWOOD, Fujifilm) and major software video editing providers (such as Apple, Adobe, Avid).	Section 3.9
What are the future potential markets for Atomos?	From its core market in Pro Video, the Company recognises an opportunity to expand its market presence to include both the Social and Entertainment segments of the Global Camera and Video Equipment Market. The Social, Pro Video and Entertainment segments have varying budgets and needs for projects which dictate the equipment they use. Atomos intends to offer products that increase quality, reduce costs and enhance creativity for each of these segments.	Sections 2.2 & 3.9
What are the Company's key technologies and who owns the intellectual property in Atomos' products?	Atomos has developed a number of in-house, proprietary technologies: ‣ **AtomOS** – a custom-built operating system with an intuitive touch screen user interface, that simplifies complex processes whilst extending features specifically for enhanced video monitoring and recording (e.g. exposure, zooming, colour, focus, playlists, tagging and editing). ‣ **AtomIC** – custom video "SoC" (System on Chip) – these chips provide proprietary low power, high function video capability. AtomIC is licenced to JVC KENWOOD for use within a select number of their broadcast focused cameras. All aspects of physical electronic product design are performed and controlled by Atomos and its subsidiaries. All mechanical, artist product design and advanced electronics are developed and deployed in-house. All of the Company's intellectual property in its operating system and products is either owned by the Group or licensed to the Company or an affiliate.	Sections 3.6 & 3.7.5

1 Investment Overview

▸ ABOUT THE COMPANY		
Question	Answer	More Information
What strategic technology relationships does Atomos have?	Atomos integrates with leading technology companies to bring better quality video and workflow solutions to their customers: ▸ **JVC KENWOOD** – In 2017, Atomos entered an agreement with JVC KENWOOD, a global Japanese electronics and camera manufacturer, to jointly develop software and hardware technologies for application in various video products – the key technology being AtomIC. ▸ **Apple Inc** – In April 2018, Atomos entered into a licence agreement with Apple for the use of ProRes RAW, the next evolution in video recording formats, in its new products. ▸ **Camera Manufacturers** – Atomos has close development relationships with the major camera manufacturers such as Sony, Nikon, Canon, Panasonic, JVC KENWOOD, Fujifilm, Leica and Olympus to ensure seamless technical integration and the highest possible quality connection between Atomos' monitor recorders and their camera offerings.	Section 3.7
Where does Atomos operate?	Atomos has offices in Port Melbourne (Head Office), Tokyo, Beijing, Shenzhen, Frankfurt, New York, Portland and Los Angeles. Its products and technologies are used and distributed globally, including in the United States, Asia and EMEA.	Sections 3.5 & 3.8
What is Atomos' business model and how does it generate revenue?	Atomos sells and supports its products through its global offices to a wide range of trusted electronic, photo and video distributors within each geographic region globally. Each distributor or wholesaler subsequently supplies, educates and supports professional video, photo and electronic resellers, retailers, online sellers and broadcast and cinema distributors to put Atomos' products in the hands of content creators. Atomos generates the majority of its revenue (86.9% in FY18) from the sale of monitor recorder products. The remaining revenue is generated from video and broadcast converters, cables, licensing and accessories.	Sections 3.1 & 3.5

▸ ABOUT THE COMPANY

Question	Answer	More Information
Who are Atomos' Directors and senior management?	The Directors of Atomos are: ▸ Chris Tait – Non-Executive Chairman ▸ Jeromy Young – Chief Executive Officer ▸ Neil Chatfield – Independent Non-Executive Director ▸ Sir Hossein Yassaie – Independent Non-Executive Director The experienced senior management team comprises: ▸ Jeromy Young – Chief Executive Officer ▸ James Cody – Chief Financial Officer ▸ Trevor Elbourne – Chief Technology Officer ▸ Naofumi Yoneda – Chief Design Officer ▸ Frankie Liu – Global Production Manager ▸ Stephan Kexel – Global Sales Director See Section 6 for further details regarding the background and experience of the Directors and senior management team together with details of their remuneration.	Sections 6.2 & 6.3
Will any related party have a significant interest in Atomos or the Offer?	The table below details the Directors' interests in Atomos securities (including interests of their associates).	Sections 6.6.1 & 6.6.5

	AT THE PROSPECTUS DATE (FULLY DILUTED)[1,3]		IMMEDIATELY FOLLOWING THE OFFER (DILUTED)[3,4]	
Holders	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
Chris Tait	1,079,975	0.8%	1,208,841	0.8%
Jeromy Young	18,164,288	12.9%	18,865,586	11.8%
Neil Chatfield	1,663,574	1.2%	1,792,440	1.1%
Sir Hossein Yassaie	2,310,756	1.6%	2,439,622	1.5%
Robert Song[2]	13,328,753	9.5%	13,381,837	8.4%
Ian Overliese[2]	3,279,600	2.3%	3,279,600	2.1%

1. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted.
2. Former directors of Atomos.
3. Assumes 100% of the options issued as at the Prospectus date vests.
4. Assumes 50% of the performance rights under the STI plan vests. Assumes 50% of the total options under the LTI plan vests. Further commentary on the Equity Incentive Plan is provided in Section 6.8.2.2.

1 Investment Overview

▸ ABOUT THE COMPANY

Question	Answer	More Information
Who are the significant Existing Shareholders and what will their interests be at completion of the Offer?	The ownership of Atomos at the Prospectus Date and on a fully diluted basis immediately following Completion of the Offer will be as follows: (see table below)	Section 8.10

	PROSPECTUS DATE (FULLY DILUTED)[1, 2]		IMMEDIATELY FOLLOWING THE OFFER (DILUTED)[2,3]	
Holders	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares
Ms Claire Louise Young <Young Family A/C>[4]	17,731,333	12.6%	17,731,333	11.1%
Domazet FT3 Pty Ltd <The Domazet Family A/C No 3>	15,193,408	10.8%	15,193,408	9.5%
Common Sense Computing Pty Ltd <Common Sense A/C>	12,877,988	9.2%	12,877,988	8.1%
Ellerston Capital Limited <Qpipo A/C>	11,776,413	8.4%	11,776,413	7.4%
Imagination Technologies Ltd	10,530,000	7.5%	10,530,000	6.6%
Employees/ Management/ Board[5]	20,765,218	14.8%	24,856,128	15.6%
Other Existing Shareholders	51,861,460	36.9%	51,861,460	32.5%
New Investors (IPO)	–	–	14,634,146	9.2%
Total	**140,735,820**	**100.0%**	**159,460,876**	**100.0%**

1. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted.
2. Assumes 100% of the options issued as at the Prospectus date vests.
3. Assumes 50% of the performance rights under the STI plan vests. Assumes 50% of the total options under the LTI plan vests. Further commentary on the LTI plan is provided in Section 6.8.2.2.
4. Entity associated with Atomos CEO, Jeromy Young.
5. Excludes Jeromy Young's interest per note 3 above.

▸ ABOUT THE COMPANY

Question	Answer	More Information
What are Atomos' material contracts?	The Group's material contracts and arrangements include: ▸ Distribution arrangements; ▸ Manufacturing and Product assembly arrangements including with Kenling Electronics Co. Ltd and Osee Technology Co. Ltd; ▸ Licence agreements including Apple ProRes and ProRes RAW with Apple Inc; ▸ Component supply arrangements; ▸ Supply Agreement and Joint Development Agreement with JVC KENWOOD Corporation; and ▸ Financing Facility with Export Finance and Insurance Corporation. Note that a majority of the distribution arrangements, the product assembly arrangement with Kenling and certain component supply arrangements are not formally contracted. These arrangements are based on repeat purchase orders and long-term business relationships.	Section 9
Will Atomos pay dividends?	In the near term Atomos does not expect to pay dividends as it intends to reinvest cash earnings to drive its global growth strategy.	Section 4.16

▸ SUMMARY OF KEY STRENGTHS

Topic	Summary	For more information
What are the key competitive advantages of Atomos' business?	Atomos is a global video technology company that enhances video content creation by producing products that connect the imaging and computer worlds. Atomos' key competitive advantages include: ▸ The growing market in which it operates; ▸ Its portfolio of key products and accessories; ▸ Its developed intellectual property concerning high quality video monitoring and recording devices and software, operating system and apps; ▸ Its developed R&D capability; ▸ Its established distribution networks; ▸ Its strong brand recognition; ▸ Its strategic relationships with leading technology companies; ▸ Its in-house, proprietary technologies; and ▸ Its experienced management team.	Sections 3.1, 3.4, 3.6, 3.7 & 3.8

1 Investment Overview

▸ SUMMARY OF KEY RISKS		
Topic	Summary	For more information
What are the key risks associated with Atomos' business?	Key risks involved with an investment in the Company include the general and Company specific risks detailed in Section 5. A summary of the most significant risks is detailed below: **Reliance on key distributors and lack of formal written distribution agreements:** The Company does not have formal written contracts in place with a majority of its distributors who order and purchase products from the Company with reference to the Atomos Distribution Guidelines. Orders are placed on an ad hoc basis by submitting standard purchase orders to the Company which then supplies the products and issues an invoice for those products. There are no minimum purchase order obligations. **Supply chain disruption risk:** There are certain components for which the Company has a single or limited source of supply. Whilst the Company has written contracts in place with some of its key suppliers, it does not have formal written agreements in place with all of its key suppliers. The Company would have difficulty in sourcing alternative suppliers for certain of these components which are specifically customised for the Company. The global demand for these products may sometimes outstrip supply. A disruption in the supply of these components could have a material adverse effect on the Company's ability to generate revenue or result in increased costs thereby reducing the Company's potential profitability. **Launch of new products:** The development and release of new products may take longer than expected may involve additional costs and/or may never occur, thereby delaying or reducing the development of new revenue streams and could therefore materially impact the Company's ability to achieve its forecast results. If significant additional costs arise, the Company may need to seek additional equity or debt funding to launch new products. **Ability to retain or attract key personnel:** Loss of key members of the management team or certain senior employees including skilled engineers or members of the Company's design and engineering teams in Australia and Japan, or inability of the Company to recruit new personnel with the required technical skills may adversely affect the Company's ability to implement its strategies and may also adversely affect the Company's future financial performance. **Competition risk:** The Company competes against other video technology companies, some of which may have significantly more resources to develop new products or may improve existing products to compete directly with the Company.	Section 5

▸ SUMMARY OF KEY RISKS

Topic	Summary	For more information
What are the key risks associated with Atomos' business? continued	**Protection of intellectual property:** The value of the Company's products depends in large part on the Company's ability to protect its intellectual property. The Company may be unable to detect the unauthorised use of its intellectual property rights in all instances, and action taken to protect its intellectual property may not be adequate or enforceable and actions taken to enforce its intellectual property rights may be costly and time consuming. **Breach of third-party intellectual property rights:** There is a risk that third parties may allege that the Company's products use intellectual property derived by them or from their products without their consent or permission. The Company may be the subject of claims which could result in dispute 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 the Company's operations, reputation and financial performance. **Potential Dispute with RED:** RED.com LLC ("RED") has alleged that the recording and/or playback of two of five video codec standards currently implemented by certain Company products infringe four RED patents. RED has offered the Company a license to rights under those patents with respect to the implementation. The Company denies RED's allegations and the parties have engaged in discussions to attempt to resolve the matter including in respect of the proposed license. If the parties are unable to resolve the matter, RED may initiate litigation against the Company in an effort to enforce its patent rights. Patent claims or litigation against the Company, regardless of their merits, could, amongst other things, be time consuming and expensive to defend, force the Company to remove the prospective format from certain products, delay shipments of Company products and require the Company to pay damages or settlement fees. **Failure to effectively manage growth:** The inability of the Company to invest in systems and processes to support the development of its business, may negatively impact the Company's financial performance. **Third party licence agreements:** The Company licences intellectual property and technology from third parties for incorporation into its products. The Company generally enters into licence agreements in relation to these arrangements which are on the licensors' standard terms and conditions which are more favourable to the licensor and include obligations for the Company to indemnify the licensors against third party intellectual property infringement claims which may expose the Company to potentially unquantifiable liability under these indemnification provisions. **Failure to realise benefits from research and development costs:** An important element of the Company's business strategy is to continue to make investment in innovation and related product opportunities. The Company may not, however receive significant revenues from these investments for several years, or may not realise such benefits at all.	Section 5

1 Investment Overview

▸ ABOUT THE OFFER

Topic	Summary	For more information
What is the Offer?	Atomos is offering Shares to raise up to a total of $6.0m. The Company will also be offering Performance Rights and New Options under the Employee Incentive Offer to certain Directors, employees and members of senior management of the Group who receive an Employee Incentive Offer Invitation Letter.	Section 8.1
Who is the issuer of the Securities and this Prospectus?	Atomos is the issuer of the Shares, Performance Rights and New Options and of this Prospectus.	Section 8.1
What do Applicants pay when applying under the Offer?	All Applicants under the Offer will pay $0.41 per Share. Atomos will retain any interest earned on an Applicant's Application Amount.	Section 8.1
Who are the Joint Lead Managers to the Offer?	Morgans Corporate Limited and Henslow Pty Ltd are the Joint Lead Managers and Underwriters to the Offer.	Section 9.7
Is there a minimum amount to be raised under the Offer?	No, the Offer is fully underwritten by the Joint Lead Managers.	Section 8.3
What is the purpose of the Offer and Listing?	The purpose of the Offer is to: ▸ provide funding and financial flexibility to support and accelerate Atomos global growth strategy; and ▸ support the launch and deployment of new products such as the recently launched Ninja V. The listing will also provide liquidity for shareholders and provide the Company with the benefits of an increased profile as a listed entity.	Section 8.4
What will Atomos use the proceeds raised from the Offer for?	See table below	Section 8.4

USES	ESTIMATED SPEND	
	(A$m)	%
Investment in personnel to deliver on growth objectives	1.0	17%
Increase in working capital associated with new products	1.8	30%
Redemption of convertible notes	2.0	33%
Payment of costs of the Offer	1.2	20%
Total	**6.0**	**100%**

▸ ABOUT THE OFFER

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What will the capital structure of Atomos be following completion of the Offer?</td><td>On completion of the Offer, the capital structure of Atomos will be as set out below:
<table>
<tr><th>Security</th><th>Number of Securities</th><th>Fully Diluted</th></tr>
<tr><td>Shares</td><td>151,824,524</td><td>163,551,786</td></tr>
<tr><td>Options</td><td>9,731,307</td><td>Nil</td></tr>
<tr><td>Performance Rights</td><td>1,995,955</td><td>Nil</td></tr>
</table></td><td>Section 10.4</td></tr>
<tr><td>Will any Existing Shareholders be subject to escrow arrangements?</td><td>Certain Existing Shareholders will be restricted from dealing in their Shares for a period of time following Completion of the Offer. These restrictions have been agreed to voluntarily. See Section 10.9 for further details.</td><td>Section 10.9</td></tr>
<tr><td>Who can participate in the Offer?</td><td>The Broker Firm Offer is open to Retail Investors resident in Australia.

The Institutional Offer is open to Institutional Investors resident in Australia, New Zealand, Hong Kong, Singapore and certain other jurisdictions selected by the Joint Lead Managers.

Employee Incentive Offer applicants who have received an Employee Incentive Offer Invitation Letter may apply for Performance Rights and/or New Options by completing the personalised Application Form enclosed with their Employee Incentive Offer Invitation Letter.</td><td>Sections 8.2, 8.6, 8.7 & 8.8</td></tr>
<tr><td>How do I apply for Securities under the Offer?</td><td>The process for applying for Shares in Atomos is set out in Section 8.6.2.

Retail Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Joint Lead Managers may seek to obtain identification information from Applicants. Atomos reserves the right to reject an Application if that information is not provided. Employee Incentive Offer applicants may apply by completing the personalised Application Form enclosed with their Employee Offer Invitation Letter.</td><td>Sections 8.6.2 & 8.8.2</td></tr>
<tr><td>Is the Offer underwritten?</td><td>The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Underwriters to terminate the Underwriting Agreement, is set out in Section 9.7.</td><td>Section 9.7</td></tr>
</table>

1 Investment Overview

▸ ABOUT THE OFFER

Topic	Summary	For more information
Is there a minimum amount of Shares which I must apply for under the Offer?	The minimum Application under the Broker Firm Offer is 5,000 Shares. There is no maximum Application under the Broker Firm Offer or the Institutional Offer. The Company reserves the right to scale back any Applications in the Broker Firm Offer or Institutional Offer. Applicants under the Employee Incentive Offer will be entitled to apply for that number of Performance Rights and New Options offered by the Company under the Employee Incentive Offer Invitation.	Section 8.5
Is there a cooling-off period?	No.	Page 1

▸ KEY FINANCIAL INFORMATION

Topic	Summary	For more information
What is the key financial information you need to know about Atomos' financial position?	The Company's pro forma net asset position of $22.1 million at 30 June 2018 largely reflects the Company's working capital, historical investment in technology development assets and cash holdings including the Company's recent capital raising activities inclusive of the Offer. Upon Completion of the Offer, the Company is anticipating an unlevered capital structure.	Section 4.9
On what basis has the financial information been prepared?	The Financial Information disclosed in this Prospectus has been presented on a statutory basis and a pro forma basis. The basis of preparation of Historical and Forecast Financial Information disclosed in this Prospectus has been summarised in Section 4.2.	Section 4.2

▸ KEY FINANCIAL INFORMATION

Topic	Summary	For more information
What is Atomos's historical and forecast financial performance?	See tables below	Sections 4.4 & 4.6

	PRO FORMA			
	HISTORICAL			FORE-CAST
$ thousand	FY2016	FY2017	FY2018	FY2019
Revenue	30,521	31,091	35,648	42,245
Cost of goods sold	(15,162)	(14,909)	(18,346)	(22,355)
Gross profit	**15,359**	**16,182**	**17,302**	**19,890**
Other income	122	256	332	151
Operating expenses	(15,276)	(16,757)	(13,719)	(15,617)
EBITDA (before R&D expenditure)	**205**	**(319)**	**3,915**	**4,424**
Research & development expenditure	(4,779)	(4,348)	(3,764)	(4,135)
EBITDA	**(4,574)**	**(4,667)**	**151**	**288**
Depreciation & amortisation	(182)	(213)	(278)	(1,383)
EBIT	**(4,756)**	**(4,880)**	**(127)**	**(1,095)**

	STATUTORY			
	HISTORICAL			FORE-CAST
$ thousand	FY2016	FY2017	FY2018	FY2019
Revenue	30,521	31,091	35,648	42,245
Cost of goods sold	(15,162)	(14,909)	(18,828)	(22,355)
Gross profit	**15,359**	**16,182**	**16,820**	**19,890**
Other income	122	416	332	151
Operating expenses	(14,573)	(17,200)	(23,802)	(17,837)
EBITDA (before R&D expenditure)	**908**	**(602)**	**(6,650)**	**2,204**
Research & development expenditure	(4,779)	(4,348)	(3,764)	(4,135)
EBITDA	**(3,871)**	**(4,950)**	**(10,414)**	**(1,932)**
Depreciation & amortisation	(182)	(213)	(278)	(1,242)
EBIT	**(4,053)**	**(5,163)**	**(10,692)**	**(3,174)**

For details on the historical and forecast financial performance please see section 4.6.

1 Investment Overview

▸ KEY FINANCIAL INFORMATION

Topic	Summary	For more information
How does Atomos intend to fund its operations?	Following Completion of the Offer, the Company's principal sources of funds will be cash flow from operations and cash held at Completion of the Offer. The Company also has an undrawn Export Finance and Insurance Corporation (EFIC) loan facility ($1.5 million). The Board will consider further equity or debt funding if appropriate to further accelerate growth or fund a specific project, transaction or opportunity.	Sections 4.9.2 & 8.4

▸ GENERAL

Topic	Summary	For more information
How can I obtain further information?	If you would like more information or have any questions relating to the Offer, you can contact the Atomos Offer Information Line on 1300 737 760 (toll free from within Australia) or +61 2 9290 9600 (from outside Australia). If you are uncertain as to whether an investment in Atomos is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	

2 Industry Overview

2 Industry Overview

2.1 Introduction

Atomos designs, develops and commercialises monitor recorder products that enhance video content creation, ensuring content creators have access to advanced video monitoring, processing and recording technologies.

2.2 Atomos' Markets

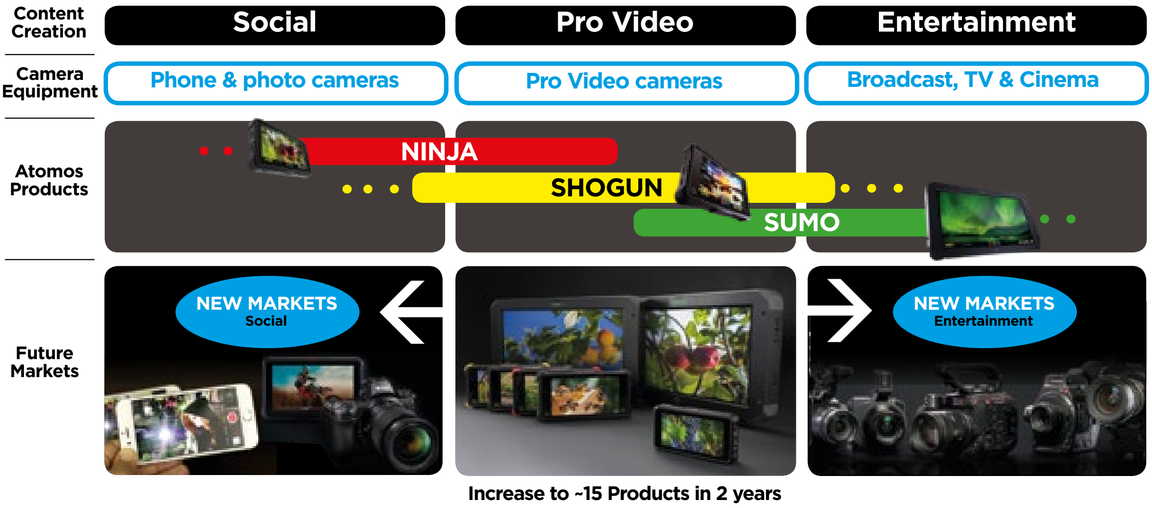
Atomos operates in the $10 billion Global Camera and Video Equipment Market producing products for content creators globally[2].

Atomos divides its market into the following segments:

1. **Pro Video** – Atomos currently targets its products to the Pro Video segment of the Global Camera and Video Equipment Market. This segment covers video production for promotion/advertising, events, business and corporate video as well as university and education content with typical project budgets of $2,500 to over $20,000.
2. **Social** – Atomos intends to expand its product range to meet the increasing need for high-end video from consumers, prosumers and low-end professionals. This is driven by the increasing popularity of free, advertisement driven platforms such as Instagram, Facebook, Twitch and YouTube. Content produced for this segment typically has no budget or a budget of up to $1,000.
3. **Entertainment** – Atomos also intends to expand its product range to meet the growing needs of broadcast, TV & cinema content creators to produce premium, high-quality entertainment content. Content produced for this segment typically has budgets of over $1 million.

Each segment is further detailed in Table 2.2.1.

Figure 2.2.1



2. Camera and Imaging Products Association – Total Shipments of Cameras and Interchangeable Lenses report.

Table 2.2.1 – Atomos market segmentation

Category	Social	Pro Video	Entertainment
Primary purpose	Social media. Amateur sport/party/music. Capture and documenting of events. Live streaming and gaming. Low budget promotion/ advertising.	Promotion/advertising. Professional event capture. Conferences and trade shows. Business marketing and training. Corporate level sports, sponsorship or promotion. University & education content.	High profile sports, music concerts & entertainment. Episodic TV – drama, comedy, reality, documentaries, history/nature, news. Traditional cinema and cinema at home.
Overview	Distributed through free ad-click driven platforms – Instagram, Facebook, YouTube. Created by consumer, prosumer, low-end professional. 1-3 cameras used: phones, photo & video cameras. Typically, 10 sec to 20min creations.	Small, medium and large business content creation. This includes traditional professional video production however has expanded to now include in house business content creation including promotion, training, education and event capture. 1-10 cameras used: photo/video cameras, pro video cameras and low to mid-price cinema cameras.	Cinematic quality & creativity for news & entertainment platforms – Fox, CNN, HBO, Netflix, Amazon & iTunes. 5+ cameras used: photo/video cameras – higher end, pro-video cameras – larger sensor and mid to high priced cinema cameras.
Cost of Cameras	Less than $1,000	$1,000 to $10,000	$10,000 +
Project Budget	No budget to $1,000	$5,000 to $20,000+	$1,000,000+

Note: Based on management estimates.

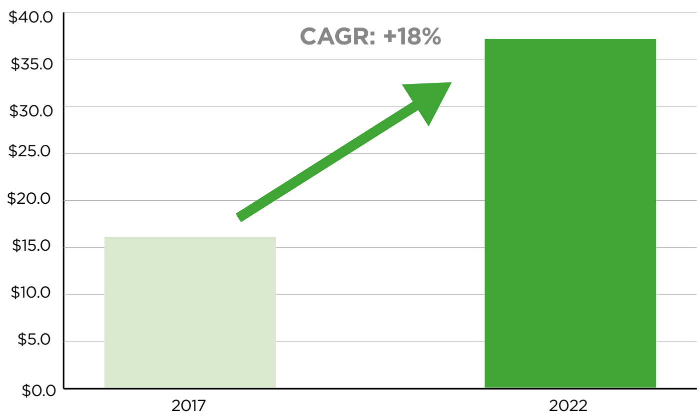
Each segment is experiencing strong growth as a result of demand for high-quality content as detailed in the following subsections.

2 Industry Overview

2.2.1 Pro Video

The Pro Video segment of the Global Camera and Video Equipment Market is growing strongly driven by an increase in demand for mobile-friendly, high-quality video content. The average amount of time an individual spends on their mobile phone in a single day is approximately 90 minutes, which equates to 23 days over the course of a year[3]. As a result, advertisers and publishers are increasingly pivoting to video and other digital content for brand exposure and marketing. The Pro Video segment growth is further supported by increased corporate video activity, with the average US business being estimated to have spent ~$20,000 on video marketing in 2017, with 56% of US businesses engaged in video creation at least once a week[4].

Growth in Online Video Advertising Spend (US$B)



Source: Juniper Research: Video Advertising Spend on YouTube & Facebook to Grow by 130% in Just 5 Years

Video is not only an increasingly important tool for marketing and branding activities but is also used increasingly in all parts of the business for education, training, promotion and events. In the US alone in 2017, US$135 billion was spent on digital video marketing[4], with 81% of companies currently (2018 year to date) using video for marketing purposes, up from 63% in 2017[5].

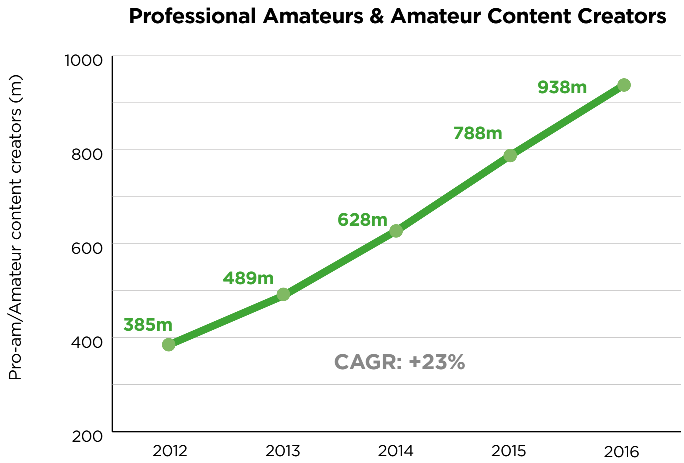
2.2.2 Social

Ad-driven, social media platforms such as YouTube, Facebook and Instagram allow everybody to share video content with a global audience.

New content sharing platforms

3. MarketLine Industry Profile, Global Media, July 2018.
4. Magisto Industry Report, The Modern Marketing Dilemma and the State of Business Video, October 2017.
5. Digital Marketing Institute, The State of Video Marketing in 2018.

There are over 900 million amateur and professional-amateur content creators with annual growth in creator numbers of 23% per year from 2012 to 2016[6].



Source: Boston Consulting Group, 'The Future of Television', 20 September 2016.

While amateurs make content sporadically, professional-amateurs have regular production schedules and profit motives. These content creators have the platforms to build significant followings, monetising their content and creating businesses in the process. The transition to business is driving increased creation of enhanced content. These professional-amateurs are an important driver of the Global Camera and Video Equipment Market.

Highest Earning YouTube Stars

YouTube Name	Subscribers	2017 Income (US$)
DanTDM	20.4m	$16.5m
VanossGaming	23.7m	$15.5m
Dude Perfect	35.5m	$14.0m
Markiplier	22.0m	$12.5m
Logan Paul	18.6m	$12.5m

Source: Forbes, YouTube

6. Boston Consulting Group, 'The Future of Television', 20 September 2016.

2 Industry Overview

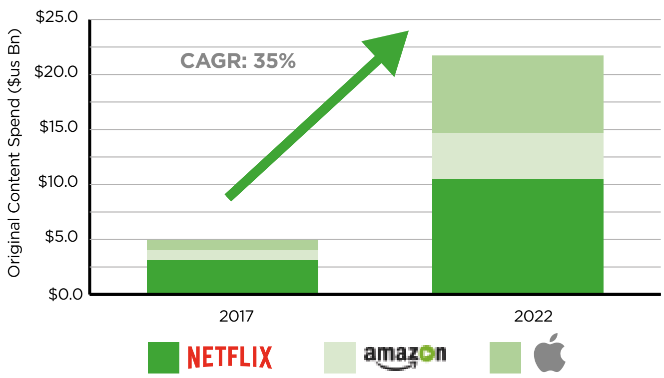
2.2.3 Entertainment

Video streaming platforms have invested in original content creation and are in the process of disrupting the broadcast, cable TV, and movie segments of the global entertainment industry. These businesses have built a compelling customer offer using online streaming to offer consumers a wide range of content on demand.

Key to the video streaming platform's success has been the ability to source compelling, high-grade content. With the rapid growth of streaming platforms, existing content owners who had previously licensed content to such platforms are now increasingly removing content from streaming services and setting up their own streaming services (e.g. HBO, Disney).

Large streaming platforms have responded by rapidly growing production budgets for the development of original content. In this space Netflix, Amazon and Apple are expected to grow their combined budgets for original content from US$5b in 2017 to over US$22b in 2022 as competition for viewers increases. The increased demand for high-quality entertainment content is further driving the Global Camera and Video Equipment Market.

Forecast growth in original content spend



Source: Loup Ventures

2.3 End users of Atomos products

Atomos' target customers are video content creators – companies or individuals who create video content for distribution and revenue. Outlined in Figure 2.4.1 is a list of subcategories relating to many of the different projects that Atomos products are known for.

Figure 2.4.1 – Atomos' Products Applicable Projects

Broadcasting	TV productions	Alternative/ independent films	Events
Live news broadcasting Events/sports coverage News specials and interviews	Big budget episodic TV TV series Documentaries	Short films Independent films (tight budget)	Weddings Church/religious sermons School events – prom, graduation Social events – fashion, charity, awards, etc

Education	Corporate marketing	Game recording	Live streaming
Recording – lectures/ classes/presentations Remote teaching promoting greater accessibility Educational videos – real world practicality Admissions/ promotion videos	TV/internet advertisements Brand awareness & promotion (i.e. Redbull's Space Jump) In-house training Presentations/ product releases Social responsibility	**Development:** reviewing resolution quality, latency and graphics **Competition:** record gaming for sharing (YouTube/Twitch/ tournaments) **Marketing:** game samples recorded on Atomos units for marketing purposes	**Concerts/festivals:** 4K recording & streaming from multiple cameras **Social media:** Facebook, Instagram, etc

2.4 Competitive Landscape

There are a range of other companies who produce similar monitor recorder or combination products who target the video production market. These competitors include Blackmagic Design, Video Devices, Convergent Design and SmallHD.

3 About the Company

3 About the Company

3.1 Overview

Atomos is a global video technology company that enhances video content creation by producing products that connect the imaging and computer worlds, from the point of capture (camera) through to displaying (monitor), processing and recording of the latest high-quality video onto affordable computer media for creative enhancement and distribution of content.

The Company designs, develops and commercialises, award winning, simple to use and affordable monitor recorder products. They enhance video content creation, ensuring content creators have access to advanced video monitoring, processing and recording technologies, regardless of the camera or production technology they use. It is the breadth of application that the Board believes makes Atomos uniquely placed for growth in the era of growing video content creation.

By using the processing and recording capability of Atomos products, video creators can achieve enhanced recording quality, on sharp deep colour displays for greater flexibility and control onto lower-cost media creating a more streamlined workflow than the camera's standard functionality is capable of.

Complimentary to Atomos' current range of seven core monitor recorder products, the Company also produces a range of broadcast equipment, video converters and accessories such as cables, batteries, charging and mounting solutions that make content creation simpler.

Figure 3.1.1

3 About the Company

Figure 3.1.2 – Atomos Product Range

3.2 Atomos Background & Timeline

Atomos was incorporated in 2009 by Jeromy Young and Ian Overliese. Recognising a gap in the market and an opportunity to disrupt by converging computer and video technologies, Atomos released its first product, Ninja 1, combining higher than camera quality recording, playback, monitoring and editing functionality into one device. The result was, a portable (in-field) monitor recorder, which enhanced productivity and creativity while at the same time reducing costs for video professionals.

Atomos received approval in 2010 to incorporate Apple's professional video recording format, ProRes, into the Ninja 1. Following the release of the Ninja 1, the Company continued to expand its product and technology offering. In 2014, Atomos was featured in Deloitte's Australian Technology Fast 50 with sales of $14 million and rising to number 5 in that same report in 2015.

In late 2014, continuing to focus on enhancing the video production workflow for professionals, Atomos released an in-field 4K display, recording and playback device called "Shogun" which substantially increased the Company's global profile and annual revenue.

In 2016, the Company released the Shogun Flame and Ninja Flame monitor recorders – the 'Flame' referring to the increased screen brightness capability (4x) developed to target higher brightness capture from camera sensors. This was an incremental but significant upgrade to the popular Shogun product. The Shogun Flame (HDMI + SDI) and Ninja Flame (HDMI only) targeted the emerging HDR (High Dynamic Range) market segment, which was at the same time becoming prevalent in the latest consumer TVs. Atomos' proprietary AtomHDR image processing technology allowed professional content creators to view HDR at the time of shooting, ensuring the highest quality production and creativity for delivery to consumer TV's.

In 2017, Atomos entered the large format monitor recorder market, releasing the SUMO 19" (previously only 5" & 7" monitor sizes had been released). This opened a significant new market segment for the Company and will serve as an important part of the future growth strategy for Atomos by expanding on the large monitor recorder trend driven especially by the Entertainment market segment.

In April 2018, Atomos obtained a licence for Apple's new global video recording format, Apple ProRes RAW. Atomos is one of only two companies globally to be given a licence to record ProRes RAW, a milestone for the Company and a significant validation of Atomos' product standing and technical capability on the global video stage.

Figure 3.2.1 – Timeline and Key Milestones

2009-2010	Atomos founded **Apple** approves ProRes in **Ninja**	
2011	**Adobe & Avid** support Atomos products into their post-production workflow Licence agreement with **HDMI Inc.**	
2012	Ninja 2 released and bundled with **Canon** and **Nikon** Licence agreement with **Microsoft Inc.**	
2013	Samurai Blade monitor recorder released – broadcast and higher end video market	
2014	'Shogun' monitor recorder released – in-field **4K monitor**, recording, playback device Development on custom video SoC – **AtomIC**	
2014	**100k Monitor Recorders sold**	
2016	**Released HDR** range of monitor recorders Multiple awards at National Association of Broadcasters (NAB) trade show	
2017	Announced SUMO 19" at NAB Show and won best new monitor recorder Signed partnership with JVC Kenwood for joint video development	
2018	Released new global recording format with Apple, ProRes RAW New product, Ninja V released	

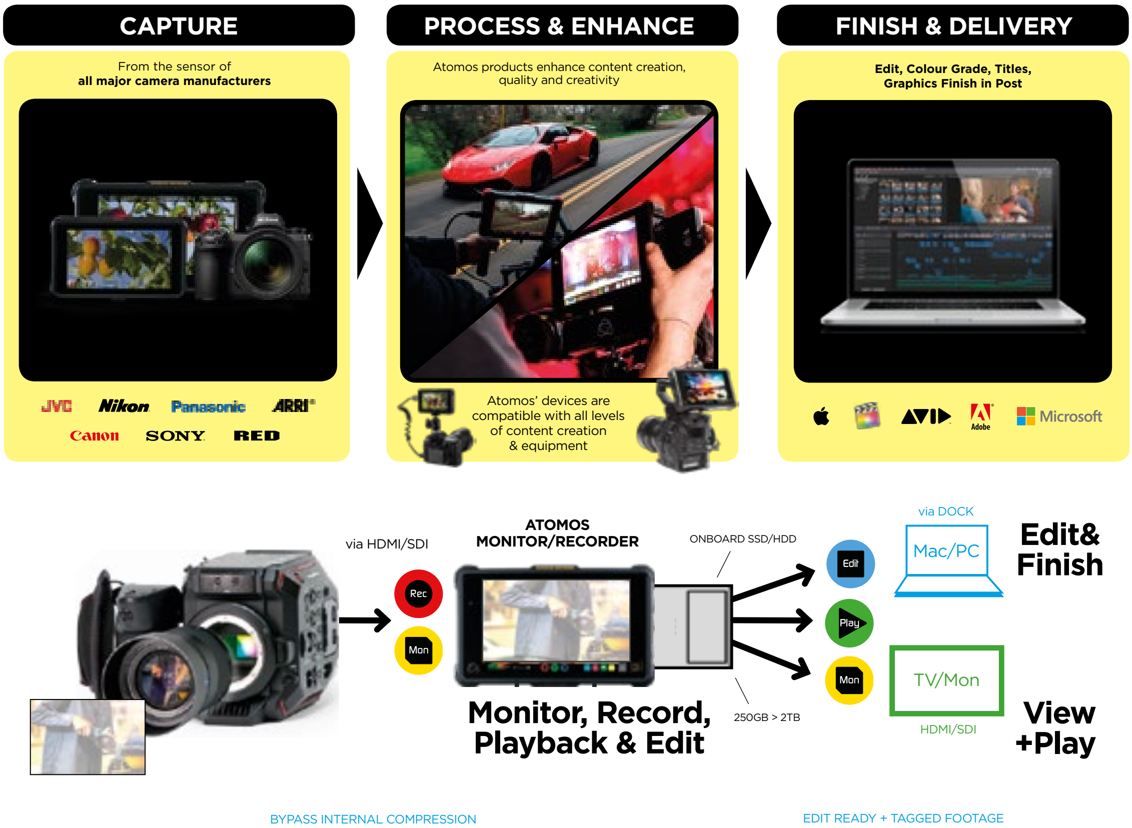
3.3 What Atomos Does

Atomos has developed an advanced 'video-computer' that operates as an intermediary in the video production ecosystem, capturing raw and uncompressed video images directly from the camera's sensor and transferring them to Atomos' products for display, processing and recording, and preparing them for delivery into post-production computer software packages.

At a detailed level, Atomos products take the natural ('raw' or 'uncompressed') images captured directly by the camera's sensor and transfer them directly into Atomos' proprietary processing and recording engine, by-passing the camera's internal processing and recording functions. The image is transferred from the sensor to Atomos products via HDMI or SDI connections – both industry standard digital connections.

3 About the Company

Content Creation Workflow



In Atomos' primary market of Pro Video, images are generated from a camera, however Atomos products can equally be used to display and/or record from any device with an HDMI or SDI connection such as a smartphone, tablet, computer, game console or industrial device (such as a security system).

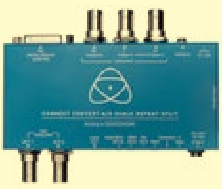
Atomos products deliver several advantages to content creators including:

1. A direct digital connection to the camera's sensor, taking uncompressed, 'raw' sensor image data for display, processing and recording;
2. An increased data rate and quality of recording from any digital camera – Phone, Photo, Video or Cinema;
3. The ability to record to computer formats built for image processing, not low quality heavily compressed camera formats;
4. The ability to add higher 4K resolutions to HD cameras and record in 4K;
5. The ability to add super slow-motion frame rates to standard cameras;
6. The ability to increase recording time from minutes to hours by using large 2TB SSD's rather than small camera SD memory cards. Computer SSD's are faster, more reliable (able to manage larger-video files) and affordable;
7. The capability to monitor in the highest resolutions with the deepest colours and widest brightness range, significantly higher quality than camera monitors;
8. The production process benefits from larger and more accurate Atomos' monitors;
9. The capabilities of simple apps which offer advanced image analysis tools via touch screen for perfect content creation;
10. The ability to save production time by editing and categorising footage prior to computer editing; and
11. The latest capabilities of advanced technology.

By using affordably priced Atomos' monitor recorders, video content creators are provided with the ability to enhance recording quality, save time and maintain greater flexibility and control over their content creation.

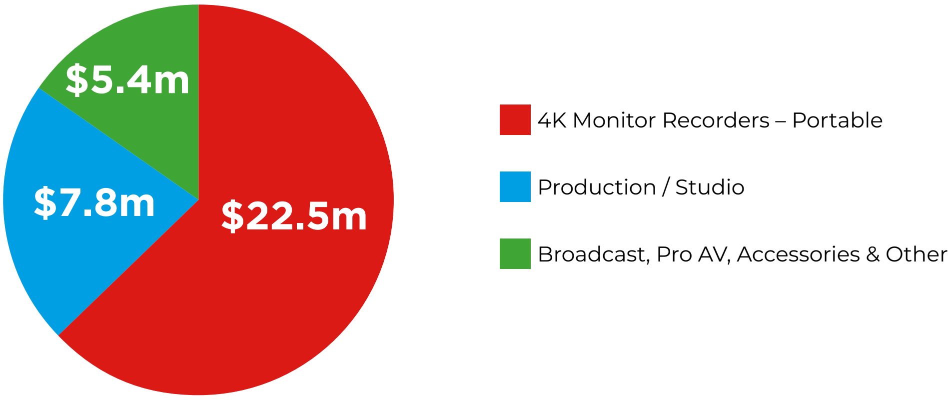
3.4 Product Portfolio

The below table represents Atomos' current product line. Management consider the seven products classified in the 4K Monitor Recorder and Production/Studio sections as being 'core'.

PRODUCT		DESCRIPTION
4K Monitor Recorders		
	**Ninja Range**	▸ HDMI only ▸ Broad market application due to portability ▸ Both 5" and 7" screen options ▸ Record ProRes®, DNxHR at 60p frame rates ▸ AtomHDR monitoring
	**Shogun Range**	▸ HDMI & Quad SDI inputs ▸ Broad market application due to portability ▸ 7" high brightness screen ▸ Record ProRes, DNxHR at 60p frame rates ▸ ProRes RAW capability ▸ AtomHDR monitoring
Production/Studio		
	**SUMO Range**	▸ Larger format 19" monitor recorder – targeting studio usage ▸ Quad SDI & HDMI in/out ▸ Record ProRes/ProRes RAW, DNxHR, among others
Broadcast, Pro AV, Accessories & Other		
	**Shogun Studio**	▸ Rack mount 4K monitor recorder solution ▸ Dual 7" screens with touchscreen interface
	**Converters**	▸ Range of 4K converters ▸ SDI to HDMI or vice versa
	**Accessories (Cables, Caddies & Adaptors)**	▸ Range of accessories to compliment monitor recorder range ▸ Media caddies (SSD)

3 About the Company

FY18 Revenue Breakdown ($m)



3.5 Revenue Model

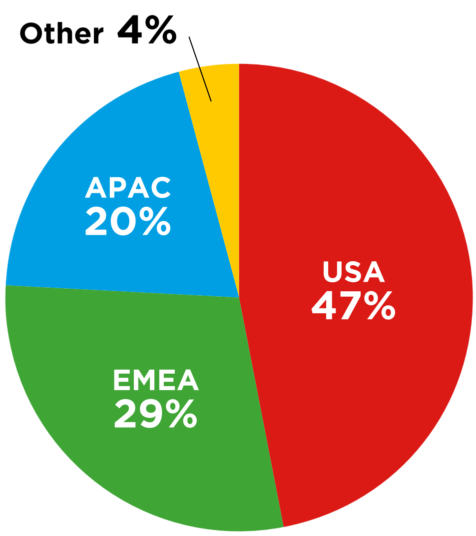
Atomos generates the majority of its revenue (86.9% in FY18) from the sale of monitor recorder products. The remaining revenue is generated from video and broadcast converters, cables, licencing and accessories. A small portion (<A$1.0m) of the Company's FY19 forecast revenue is expected from the sale of AtomIC chips to JVC KENWOOD for use in a select number of their new broadcast cameras.

Atomos aims to achieve a gross margin on its new products of at least 50%, with key pricing considerations including: maximising market penetration, competitor dynamics and the lifecycle of existing products.

Atomos sells its products through a network of wholesalers across the world. These wholesalers then sell to a broad reseller and retailer network in each geographic region. Atomos has long-standing relationships with the majority of its wholesalers. In specific regions, Atomos also sells directly to major resellers which have significant size and customer influence.

In FY18 approximately 47% of the Company's product sales were generated from the US region, with EMEA the second largest sales region representing 29% of total product sales, Asia Pacific representing 21% and Other representing 4%.

FY18 Sales by Region

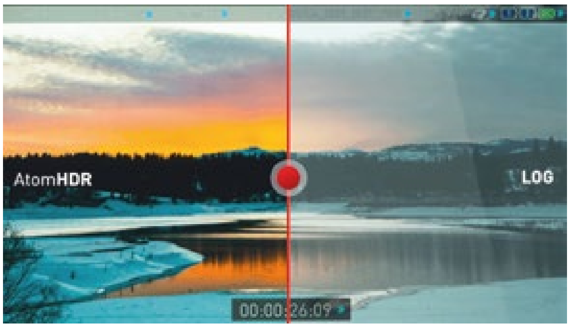


3.6 Proprietary Technology

3.6.1 Atomos OS (proprietary operating system)

Atomos has developed and built its own custom operating system ('AtomOS'). A key feature of Atomos products and a major value proposition for end users, AtomOS incorporates 'smart phone' style icons, and menu sliders to create an intuitive touch screen user interface. AtomOS is also responsible for facilitating important monitoring and recording tools used by video professionals such as exposure, zooming, colour and focus peaking among others.

AtomOS includes AtomHDR, a proprietary image processing technology first deployed in 2016 for advanced LCD screens that for the first time allowed video professionals to view HDR on an in-field monitor as it would appear in post-production and on TV screens. This technology enhanced the ability of video professionals to use HDR technology – a shift toward 'true to life' image quality being shown on TV's.



3.6.2 Atomos IC (Custom video SoC)

In collaboration with Imagination Technologies, Atomos has developed a custom silicon video chip called AtomIC 1 which has been licensed to JVC KENWOOD (refer 3.7.1) to be used in one or more of their future products. AtomIC 1 is the Company's first custom silicon development project and resulted in significant financial and time investment over the past four years.

Additionally, Atomos has extended its silicon portfolio by developing AtomIC 2, using technology supplied by Xilinx (a US technology company) combined with Atomos' in-house proprietary technology. AtomIC 2 is currently the platform powering the new Ninja V product along with a suite of other products planned to be launched over the next 12 months.

3 About the Company

3.7 Strategic Technology Relationships

3.7.1 JVC KENWOOD Agreement

In 2017, Atomos entered an agreement with JVC KENWOOD, a global Japanese electronics and camera manufacturer, to jointly develop software and hardware technologies for application in various video products – the key technology being AtomIC. This agreement also allows Atomos the option to use JVC KENWOOD's manufacturing facilities if feasible. See Section 9.5 for further details.

3.7.2 Apple Relationship

Atomos' relationship with Apple began in 2010 when the Company was granted a licence of Apple's video recording format, 'ProRes', for use in its first monitor recorder product, Ninja 1.

In April 2018, Atomos entered into a licence agreement with Apple for the use of ProRes RAW, the next evolution in video recording formats, in its new products.

ProRes RAW offers users the benefits of working with RAW footage (uncompressed) without the primary drawbacks of large file sizes and lagging playback and editing performance due to limitations from conventional computing systems. Apple's ProRes RAW is currently only licenced globally to Atomos and one other company (DJI).

3.7.3 Global Camera Manufacturers

Atomos' products integrate with cameras from major global camera manufacturers. The Company has developed technical integrations with a number of camera manufacturers who provide access to their proprietary image processing algorithms – i.e. how they process colour, brightness, and image clean up.

In addition, the Company works with several global camera manufacturers to either cross-promote or bundle products with camera manufacturers, which Management believe validates Atomos' value proposition in the video production workflow.

A recent example includes the product bundling and co-promotion of Nikon's Z6 & Z7 mirrorless cameras with Atomos' new Ninja V monitor recorder.

3.7.4 Key Computer & Software Relationships

Atomos has strategic relationships with major computer software video editing providers such as Apple, Adobe and Avid.

Atomos' technology allows video professionals to tag and make basic editing decisions while shooting in the field which remain with the footage and flow seamlessly (using metadata tags) through to the editing platforms used in post-production. For video professionals, achieving a seamless workflow from capture, through recording and into post production creates an efficient workflow process leaving more time for creativity.

3.7.5 Intellectual Property

Atomos has assembled a team of 30 engineers from around the world with a diverse range of skill sets covering, but not limited to: software engineering, firmware engineering, hardware engineering, ASIC/SoC development, mechanical design and industrial design.

The business has invested heavily in technology development over a seven-year period resulting in a number of proprietary processes, systems and 'trade-secrets'.

All of the Company's intellectual property in its operating system and products is either owned by the Group or licensed to the Company or an affiliate. The Company has entered into agreements with its staff (employees and consultants) under which intellectual property they develop is assigned to the Group and in order to protect the confidentiality of its proprietary information.

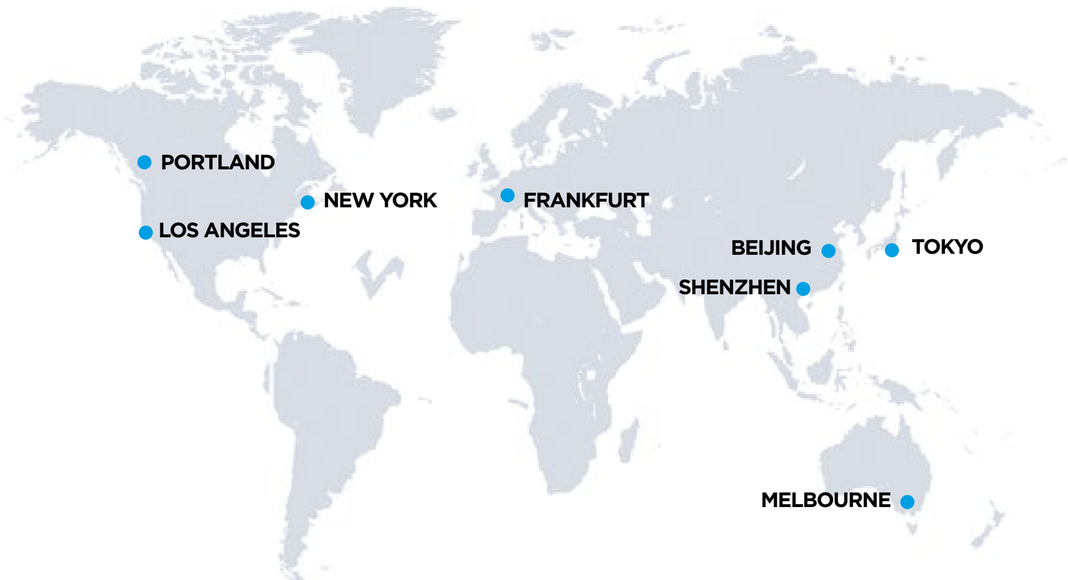
The Group holds one registered Australian patent over its electronic device and holds the remainder of its intellectual property as trade secrets, which are subject to extensive protection through the utilisation of encryption technology.

The Group also holds a range of registered trademarks across countries Australia, China, Japan, the European Community and the United States as summarised in Appendix 2.

3.8 Operations

3.8.1 Global Offices and Employees

Atomos has 8 offices located in 5 countries each servicing a key part of the global market. The Company's group structure is outlined in Section 10.2.



As at 31 October 2018, the Company had 74 full time employees, with 25 of these employees, including the Company's CEO, CFO and CTO located in Port Melbourne, Australia.

The Company's global sales operations are conducted via the German office in Frankfurt.

3.8.2 Marketing and Brand Recognition

Atomos' growth within the professional video industry has been supported by its strong brand and a reputation for bringing new display, recording and workflow technology to the market.

The Atomos marketing and advertising strategy has traditionally been focused on engaging customers at the major trade shows around the world, which for the professional video industry is where new products and technologies are announced and reviewed by industry leaders.

The two major video trade shows each year are the NAB Trade Show (National Association of Broadcasters) in Las Vegas, USA in April and IBC Trade Show in Amsterdam, Netherlands in September. The timing for new product releases has historically been prior to or during either trade show event.

3.8.3 Production Supply Chain

Atomos uses a contract manufacturer to assemble its products in a Taiwanese-owned factory in Guangdong, China. The Company employs its own production and quality assurance team, all located in Guangdong, who schedule, plan and manage production and maintain tight on-site control over third party contract manufacturing to ensure product quality standards are maintained.

In addition to production, the quality assurance team also ensures all components received from suppliers are checked and verified prior to inclusion in the contract manufacturing process.

All finished products destined for countries other than China are dispatched by road from Guangdong to a 3PL warehouse facility in Hong Kong before being air freighted to their final destination. Products to be sold within the Chinese markets are despatched by air from Guangdong to Beijing.

3.8.4 Suppliers

Atomos uses a number of established electronics distributors and suppliers to source components, circuit boards, screens and other parts used to construct their products. Many of Atomos' suppliers have global supply operations mitigating any potential production risk due to supply uncertainty or liquidity.

The Company has a strong relationship with its suppliers, with the majority supplying the Company for at least five years. Atomos has some minimum order quantities in place with suppliers however most suppliers do not require minimum order of quantities providing the Company with flexibility in terms of product testing and carrying older models with reduced sales. During the design and engineering phase for new products, Atomos engineers, based on a variety of criteria will select the appropriate components and distributor for that product.

3.9 Growth Strategy

Atomos aims to continue building its market presence and sales in the Pro Video segment of the global camera and video equipment market. The market is experiencing growth as video increasingly becomes one of, or the, primary medium for content distribution by corporates, advertisers and events.

Atomos believes that it will continue to grow as the Company delivers on the following strategies:

3.9.1 Expanding the Product Range

Atomos plans to double its current product range of seven products by leveraging its current suite of intellectual property and technologies into an expanded product range including new products that target new market segments.

In September 2018, the Company released its first product based on the new **Ninja Platform** (the 5" monitor recorder, Ninja V), which incorporates new electronics, powered by a new silicon chip (AtomIC 2) and a new operating system (AtomOS 10). This combination will serve as the core platform underpinning a range of monitor recorders to be released over the next 12-24 months.

A new and unique feature of the Ninja Platform (and the Ninja V) is the ability to connect expansion modules to the back of the product thereby expanding its functionality and applicability for end users. The expansion modules will be classified within the newly established 'AtomX' product line-up – AtomX referring to extra or additional paid modules attaching to the Ninja V and future products for customer flexibility.

3.9.2 Expansion into Adjacent Markets

Atomos' core market has historically been in Pro Video – a market segment that includes video content being produced for corporates, broadcast, commercials, weddings and events, independent films and documentaries. Atomos will aim to further penetrate the adjacent high growth market segments of Social and Entertainment as detailed in Section 2.2.

Atomos has already established a number of key capabilities and advantages it can use to expand in these markets, namely:

- **The Ninja Platform** – This platform provides the ability to quickly and incrementally release a number of new products based on the same core technology, eliminating the need for substantial capital and time investment in design and engineering of individual products. This further gives Management flexibility to make product decisions quickly subject to customer/market demand and changing technology landscapes.
- **Existing sales channels into adjacent markets** – Ability to leverage existing sales channels with most distributors already supplying customers in adjacent segments.
- **Strong brand equity** – Atomos is a recognised, innovative brand and has a proven track record of improving video recording and workflow for content creators.
- **Existing relationships with leading camera manufacturers** – Atomos has existing relationships with Sony, Canon, Nikon, Panasonic and JVC. These relationships can be leveraged – for example as Atomos released the Ninja V in September 2018, a number of major camera manufacturers, Canon, Nikon, Fujifilm and Panasonic, launched new cameras with feature sets that could be greatly complemented by the Ninja V offering. Capitalising on this opportunity, the Company intends to offer a joint camera plus Ninja V product bundle with several camera manufacturers. Historically, the Company has been successful with the 'bundle' strategy which management believes will enable Atomos to push into the new markets and expand existing markets.

3.9.3 Evolve strategic technology relationships

Atomos will seek to maintain and further develop strong relationships and partnerships with global camera manufacturers (Sony, Canon, Panasonic, Nikon, JVC KENWOOD, Fujifilm) and major software video editing providers (Apple, Adobe, Avid). Atomos has a history of partnering with these companies to achieve mutually productive business outcomes through end-to-end, seamless, integrated solutions.

4 Financial Information

4 Financial Information

4.1 Introduction

The financial information for the Company contained in this section includes:

- Statutory historical financial information of the Company, being the:
  - statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2016 (FY2016), 30 June 2017 (FY2017) and 30 June 2018 (FY2018);
  - statutory historical consolidated statements of net cash flows for FY2016, FY2017 and FY2018; and
  - statutory historical consolidated statement of financial position as at 30 June 2018

  (together the **Statutory Historical Financial Information**);
- Pro forma historical financial information of the Company, being the:
  - pro forma historical consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017 and FY2018;
  - pro forma historical consolidated statement of cash flows for FY2016, FY2017 and FY2018; and
  - pro forma historical consolidated statement of financial position as at 30 June 2018

  (together the **Pro forma Historical Financial Information**);
- Statutory forecast financial information of the Company being the:
  - statutory forecast consolidated statement of profit or loss and other comprehensive income for the financial year ending 30 June 2019 (FY2019); and
  - statutory forecast consolidated statement of cash flows for FY2019

  (together the **Statutory Forecast Financial Information**); and
- Pro forma forecast financial information of the Company being the:
  - pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY2019; and
  - pro forma forecast consolidated statement of cash flows for FY2019

  (together, the **Pro forma Forecast Financial Information**).

The Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information each assume Completion of the Offer.

The Statutory Historical Financial Information and Pro Forma Historical Financial Information together form the **Historical Financial Information**. The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information together form the **Forecast Financial Information**.

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

Also summarised in this section are:

- The basis of preparation and presentation of the Financial Information (see Section 4.2);
- Explanation of certain non-International Financial Reporting Standards measures (see Section 4.3);
- Key financial and operating metrics of the Company (see Section 4.5);
- A summary of the Company's indebtedness before and after the Offer (see Section 4.9.4);
- A summary of the Company's contractual obligations and commitments (see Section 4.9.3);
- Management's discussion and analysis of the Pro forma Historical Financial Information (see Section 4.11);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 4.12);
- Management's discussion and analysis of the Pro forma Forecast Financial Information (see Section 4.13);

- An analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.14);
- A summary of changes to Australian Accounting Standards (**AAS**) applicable to the Company (see Section 4.15); and
- A summary of the Company's proposed dividend policy (see Section 4.16).

All amounts disclosed in this section are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand. Tables in this section have not been amended to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**), whose Investigating Accountant's Report is set out in Section 7. Investors should note the scope and limitations of that report.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

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

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Company, together with forecast financial performance and cash flows for FY2019.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the AAS (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board (**AASB**) and the accounting policies adopted by the Company. Compliance with AAS ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (**IFRS**) as adopted by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Company's significant accounting policies are set out in Appendix 1. In preparing the Statutory Historical Financial Information and Statutory Forecast Financial Information, the accounting policies of the Company have been applied consistently throughout the periods presented in this section.

The Company has one reportable segment under AASB 8 *Operating Segments* (AASB 8), being the design, production and sale of video technology products. In accordance with AASB 8, the Company reports revenues from external customers attributable to the following geographical regions:

- United States of America;
- Europe the Middle East and Africa (EMEA);
- Asia Pacific (APAC); and
- Other.

4.2.2 Preparation of the Statutory and Pro Forma Historical Financial Information

The Historical Financial Information has been prepared on both a statutory and pro forma basis and has been prepared solely for the inclusion in this Prospectus.

The Statutory Historical Financial Information has been derived from the audited consolidated financial statements of the Company and controlled entities for FY2016, FY2017 and FY2018. The historical financial statements for FY2016, FY2017 and FY2018 have been audited by Deloitte Touche Tohmatsu, which issued qualified audit opinions in respect of FY2016 and FY2017 as a physical count of inventory was not conducted by the Company at 30 June 2015 and 30 June 2016. Except for the possible effects of this matter, the audit opinions in respect of FY2016 and FY2017 were unmodified. Deloitte Touche Tohmatsu issued an unmodified audit opinion in respect of FY2018.

The Pro forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information with pro forma adjustments made to reflect the Company's intended operating and capital structure following the Completion of the Offer as if the structures were in place as of 1 July 2015 and to exclude certain non-recurring items, as set out in Section 4.7. Investors should note that past results do not guarantee future performance.

Refer to Table 4, Table 6 and Table 10 for the following statutory to pro forma reconciliations:

- statutory historical consolidated statements of profit or loss and other comprehensive income to the pro forma historical consolidated statements of profit or loss and other comprehensive income at both the EBITDA and NPAT line;
- statutory historical consolidated statement of financial position and pro forma historical consolidated statement of financial positions; and
- statutory historical consolidated statement of net cash flows and pro forma historical consolidated statement of net cash flows.

4.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors with due care and attention, and having regard to an assessment of present economic and operating conditions, and based on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.12. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

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 materially positive or negative effect on the Company's actual financial performance or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, the Directors and management, and are not reliably predictable. Accordingly, none of the Company, the Directors, management, or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

4 Financial Information

Investors are advised to consider the Forecast Financial Information in conjunction with the general and specific assumptions set out in Section 4.12, the sensitivity analysis set out in Section 4.14, the risk factors set out in Section 5 and other information set out in this Prospectus. The inclusion of these assumptions and these risks in this Prospectus is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how the Company's statutory financial statements are expected to be prepared for future financial periods, noting forthcoming changes to AAS described in Section 4.15 have not been considered in the preparation of the Statutory Forecast Financial Information.

The Statutory Forecast Financial Information for FY2019 is the best estimate of the financial performance that the Directors expect to report in the Company's general purpose statutory consolidated financial report for FY2019.

The Statutory Forecast Financial Information assumes Completion of the Offer will occur on or close to 20 December 2018, hence it reflects the effect of the Company's intended operating and capital structure following Completion of the Offer.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information adjusted to reflect the full year effect of the intended operating and capital structure that will be in place following Completion of the Offer as if the structures were in place from 1 July 2018, excluding Offer costs and other non-recurring items that are not expected to occur in future periods. See Table 4 and Table 10 for reconciliations between the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information.

The basis of preparation and presentation of the Pro forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information.

The Company has no intention to update or revise the Forecast Financial Information or other forward-looking statements following the issue of this Prospectus, 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, except where required by law or its continuous disclosure obligations under the ASX Listing Rules.

4.3 Explanation of certain non-IFRS financial measures

The Company uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- EBITDA (before R&D expenditure) is earnings before research and development expenditure, interest, taxation, depreciation, amortisation and impairment charges;
- EBITDA is earnings before interest, taxation, depreciation, amortisation and impairment charges;
- EBIT is earnings before interest, taxation and impairment charges;
- Working capital is defined by the Company as trade and other receivables, inventory and other current assets less trade and other payables and other current liabilities;
- Net cash flows from operations: the operating cash flows generated by the Company calculated as EBITDA excluding non-cash items and allowing for changes in working capital; and
- Net cash flows before financing activities: being net cash flows from operations less capital expenditure and other investing expenditure.

As non-IFRS financial measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which the Company calculates these measures may be different to the way other companies calculate similarly titled measures. Although the Directors believe that these non-IFRS financial measures provide useful information about the Company's financial performance, investors are cautioned not to place undue reliance on any non-IFRS measures and should consider the measures as supplemental to, as opposed to replacement for, financial information presented in accordance with AAS.

4 Financial Information

4.4 Pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income

Table 1 below sets out the pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017, FY2018 and FY2019.

Table 1: Pro forma historical and forecast consolidated statement of profit or loss and other comprehensive income

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
Revenue	1	30,521	31,091	35,648	42,245
Cost of goods sold	2	(15,162)	(14,909)	(18,346)	(22,355)
Gross profit		**15,359**	**16,182**	**17,302**	**19,890**
Other income	3	122	256	332	151
Distribution expenses	4	(971)	(1,076)	(1,233)	(1,553)
Employee benefits expense	5	(6,405)	(6,040)	(6,004)	(7,149)
Share based payment expense	6	(467)	(467)	(467)	(467)
Marketing expenses	7	(5,396)	(6,033)	(2,322)	(3,262)
General & administration expenses	8	(2,037)	(2,983)	(3,622)	(3,187)
EBITDA (before R&D expenditure)		**205**	**(161)**	**3,986**	**4,424**
Research & development expenditure	9	(4,779)	(4,348)	(3,764)	(4,135)
EBITDA		**(4,574)**	**(4,509)**	**222**	**288**
Depreciation & amortisation	10	(182)	(213)	(278)	(1,242)
EBIT		**(4,756)**	**(4,722)**	**(56)**	**(954)**
Net interest	11	–	–	–	(32)
Loss before tax		**(4,756)**	**(4,722)**	**(56)**	**(985)**
Income tax	12	–	–	–	–
Loss after tax		**(4,756)**	**(4,722)**	**(56)**	**(985)**

Notes:

1. Revenue comprises the sale of recorder monitor devices, converters, accessories and cable products. Revenue also includes licensing fees received by the Company from commercial partners for the provision of access to technologies developed by the Company.
2. Cost of goods sold (COGS) comprise the cost of materials and assembly associated with the production of saleable goods. COGS also include warranty and obsolescence provisioning cost.
3. Other income is predominantly comprised of research & development tax incentive income.
4. Distribution expenses principally comprise the cost of air freighting products to the Company's distribution partners where associated shipping terms are typically CIF (cost, insurance & freight) and costs associated with a 3rd party managed finished goods warehouse in Hong Kong.
5. The Company currently has employees located in seven countries. Employee benefit expenses are largely incurred in AUD (FY18: 36%) with applicable employees remunerated in local currencies (USD, GBP, EUR or JPY). Employee benefits expense includes employee salaries and applicable on costs. Employee benefits associated with the Company's research and development activities are separately presented in the statement of profit or loss and other comprehensive income within the Research & development expenditure line.
6. A share-based payment expense associated with the Company's new Equity Incentive Plan (refer Section 6.8.2) is recorded on a pro forma basis.
7. Marketing expenses relate predominantly to trade shows, where the Company exhibits new and forthcoming products, particularly IBC (Amsterdam) and NAB (Las Vegas). Marketing expenses also include general advertising and promotional expenses and travel costs.
8. General & administration expenses include occupancy costs, office costs, legal and professional fees, IT costs, doubtful debt provisioning and realised foreign exchange losses. Costs attributable to operating as a listed entity have been recognised on a pro forma basis in the statement of profit or loss and other comprehensive income. The incremental costs include ASX listing fees, audit fees, registry costs, board fees and insurance.
9. Research & development expenditure relates principally to the engineering employee benefit expenses associated with the development of new products. The Company does not capitalise any internally incurred development costs due to the uncertainty at the time the costs are incurred as to whether the asset will generate probable future economic benefits. The Company's engineering employees are currently located in four countries. Research and development expenditure is largely incurred in AUD (FY2018: 42%) with costs also incurred in USD, EUR and JPY currencies.
10. Depreciation & amortisation relates to the depreciation of the Company's plant & equipment over the applicable useful life and the amortisation on a straight-line basis of capitalised development costs over a four-year period.
11. Net interest in FY2019 reflects interest on the Company's EFIC loan facility (refer Section 4.9.2) less assumed interest income on anticipated cash holdings during the period.
12. As of 30 June 2018, the Company de-recognised carry forward tax losses. On this basis no income tax benefit has been recognised in the pro forma historical and forecast statement of profit or loss and other corresponding income.

4.5 Pro forma historical and forecast key financial and operating metrics

Table 2 below sets out the Company's pro forma historical and forecast financial and operating metrics for FY2016, FY2017, FY2018 and FY2019.

Table 2: Pro forma historical and forecast key financial and operating metrics

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
Company-wide key financial and operating metrics					
Revenue growth	1	*n/a*	1.9%	14.7%	18.5%
Gross margin %	2	50.3%	52.0%	48.5%	47.1%
Employee benefits relative to revenue %	3	21.0%	19.4%	16.8%	16.9%
R&D expenditure relative to revenue %	4	15.7%	14.0%	10.6%	9.8%
Marketing spend relative to revenue %	5	17.7%	19.4%	6.5%	7.7%
Monitor recorder key financial and operating metrics					
All monitor recorders					
Monitor recorder revenue		27,560	27,906	30,983	36,764
Monitor recorder revenue as % of total revenue		90.3%	89.8%	86.9%	87.0%
Sales volume (units)		30,453	27,548	26,459	47,315
Average unit price ($)	6	905	1,013	1,171	777
Gross profit %	7	n/a	50.5%	46.9%	48.9%
Top three monitor recorder products					
Top three monitor recorder product revenue		10,497	15,858	17,855	21,201
Sales volume (units)		17,124	14,096	17,749	29,860
Average unit price ($)	6	613	1,125	1,006	710
Gross profit %	7	n/a	52.4%	47.9%	51.8%

Notes:
1. The percentage of growth in revenue calculated with reference to revenue in the prior period.
2. Gross margin is calculated as gross profit as a percentage of revenue.
3. Employee benefits expense calculated as a percentage of revenue.
4. Research & development expenditure calculated as a percentage of revenue.
5. Marketing expenses calculated as a percentage of revenue.
6. Average unit price represents monitor recorder revenue divided by the number of volume units sold.
7. Gross profit % is calculated as product gross profit (inclusive of warranty and obsolescence costs) divided by monitor recorder revenue. In FY2016, the Company's processes did not capture gross profit data by individual product on a consistent basis with processes introduced from FY2017 onwards.

4.6 Statutory historical and forecast consolidated statements of profit or loss and other comprehensive income

Table 3 below sets out the statutory historical and forecast consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017, FY2018 and FY2019.

Table 3: Statutory historical and forecast consolidated statement of profit or loss and other comprehensive income

		STATUTORY HISTORICAL			STATUTORY FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
Revenue	1	30,521	31,091	35,648	42,245
Cost of goods sold	2	(15,162)	(14,909)	(18,828)	(22,355)
Gross profit		**15,359**	**16,182**	**16,820**	**19,890**
Other income	3	122	416	332	151
Distribution expenses	4	(971)	(1,076)	(1,233)	(1,553)
Employee benefits expense	5	(6,405)	(6,040)	(6,004)	(7,149)
Share based payment expense	6	–	–	(314)	(598)
Marketing expenses	7	(5,396)	(6,033)	(2,322)	(3,262)
General & administration expenses	8	(1,800)	(4,051)	(4,577)	(3,506)
Fair value revaluation gain or loss on financial derivatives	9	–	–	377	(1,770)
Asset impairment charge	10	–	–	(9,729)	–
EBITDA (before R&D expenditure)		**908**	**(602)**	**(6,650)**	**2,204**
Research & development expenditure	11	(4,779)	(4,348)	(3,764)	(4,135)
EBITDA		**(3,871)**	**(4,950)**	**(10,414)**	**(1,932)**
Depreciation & amortisation	12	(182)	(213)	(278)	(1,242)
EBIT		**(4,053)**	**(5,163)**	**(10,692)**	**(3,174)**
Net interest	13	(102)	(1,475)	(4,066)	(676)
Loss before tax		**(4,155)**	**(6,638)**	**(14,758)**	**(3,849)**
Income tax	14	1,544	1,751	(1,755)	–
Loss after tax		**(2,611)**	**(4,887)**	**(16,513)**	**(3,849)**
Other comprehensive income	15	43	185	157	–
Total comprehensive loss		**(2,568)**	**(4,702)**	**(16,356)**	**(3,849)**

Notes:

1. The presentation of Revenue in FY2016 in this Prospectus has been adjusted from the financial statements to align with subsequent periods whereby $257,000 has been reclassified to revenue.
2. Refer to note 2. in Table 1.
3. Refer to note 3. in Table 1.
4. Refer to note 4. in Table 1.
5. Refer to note 5. in Table 1.
6. In FY2018, the Company recognised a $314,000 expense relating to the issuance of performance rights and share options in the statutory historical statement of profit or loss and other comprehensive income. In FY2019, the Company has forecast a share-based payment expense of $598,000 relating to the Company's new Equity Incentive Plan and acceleration of vesting of share options issued in FY2018.
7. Refer to note 7. in Table 1.
8. General & administration expenses include occupancy costs, office costs, legal and professional fees, IT costs, travel costs, doubtful debt provisioning and realised foreign exchange losses. The presentation of general & administration expenses in FY2016 in this Prospectus has been adjusted from the financial statements to align with subsequent periods whereby expenses have been reclassified to research & development expenses ($1,283,000). Costs attributable to operating as a listed entity have been included in the FY2019 statutory forecast statement of profit or loss and other comprehensive income assuming Completion of the Offer on or close to 17 December 2018.
9. A net gain arising on the fair value revaluation of a derivative which has been recognised in respect of the convertible loan notes held by the Company as at 30 June 2018. A net loss arising from the fair value revaluation of derivatives recognised in respect of convertible loan notes held by the Company as at 30 June 2018 and issued during FY2019 prior to completion of the Offer.
10. In FY2018 the Company recognised a $9.7 million asset impairment in relation to capitalised product development costs associated with development of a 4k ASIC chip.
11. Refer to note 9. in Table 1.
12. Refer to note 10. in Table 1.
13. Net interest is comprised principally of interest charges associated with convertible loan notes issued by the Company. The convertible loan notes are assumed to either convert to ordinary share capital or be redeemed immediately prior to Completion of the Offer.
14. The Company has historically generated income tax losses in Australia. The Company has assumed that no income tax benefit will be recognised in the FY2019 statutory forecast statement of profit or loss and other comprehensive income reflecting the de-recognition of carry forward tax losses at 30 June 2018.
15. Other comprehensive income in the statutory historical statement of profit or loss and other comprehensive income related to movement of the foreign currency translation reserve.

4.7 Pro forma adjustments to the statutory historical and forecast statements of profit or loss and other comprehensive income

Table 4 sets out the pro forma adjustments that have been made to the statutory historical and statutory forecast consolidated statements of profit or loss and other comprehensive income to derive the pro forma historical and pro forma forecast consolidated statements of profit or loss and other comprehensive income.

Table 4: Pro forma adjustments to the statutory consolidated statements of profit or loss and other comprehensive income

		HISTORICAL			FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
Statutory EBITDA		**(3,871)**	**(4,950)**	**(10,414)**	**(1,932)**
Asset impairment and write-off charges	1	–	–	10,475	–
Customs dispute cost	2	–	1,142	–	–
Transitional costs	3	–	–	773	–
Incremental listed company costs	4	(236)	(233)	(210)	(129)
Fair value revaluation gain or loss on financial derivatives	5	–	–	(377)	1,770
Employee share plan costs	6	(467)	(467)	(153)	131
Transaction costs	7	–	158	128	448
Loan forgiveness	8	–	(160)	–	–
Pro forma EBITDA		**(4,574)**	**(4,509)**	**222**	**288**
Statutory loss after tax		**(2,611)**	**(4,887)**	**(16,513)**	**(3,849)**
Asset impairment and write-off charges	1	–	–	10,475	–
Customs dispute cost	2	–	1,142	–	–
Transitional costs	3	–	–	773	–
Incremental listed company costs	4	(236)	(233)	(210)	(129)
Fair value revaluation gain or loss on financial derivatives	5	–	–	(377)	1,770
Employee share plan costs	6	(467)	(467)	(153)	131
Transaction costs	7	–	158	128	448
Loan forgiveness	8	–	(160)	–	–
Capital structure	9	102	1,475	4,066	644
Income tax adjustment	10	(1,544)	(1,751)	1,755	–
Pro forma loss after tax		**(4,756)**	**(4,722)**	**(56)**	**(985)**

Notes:

1. In FY2018, the Company recognised a $9.7 million asset impairment in relation to capitalised product development costs associated with development of a 4k ASIC chip. The Company also booked a $482,000 write-down in the value of inventories following the transition to an integrated inventory and warehouse management system and incurred a $264,000 charge to write-off a deposit associated with a terminated supply agreement.
2. In FY2017, the Company recognised a $1.1 million accrual in relation to an import customs dispute with the German authority. At 30 June 2018, this accrual remains recognised on the Company's statement of financial position as a current liability. Refer to Section 4.9.3 Contractual obligations and commitments.
3. FY18 marked the completion of a transitional phase for the Company. Co-founder and director Ian Overliese resigned, and Chris Tait was appointed Chairman. During this transitional phase Henslow, as the Company's corporate advisor, and Sir Hossein Yassaie, former chairman, provided advisory services to the Company and for the provision of these services the Company issued ordinary share equity to Henslow and Sir Hossein Yassaie (FY2018 non-cash cost: $699,000). The advisory services provided during this period are not anticipated to continue in future periods. In addition, the Company made a final payment to Ian Overliese of $74,000.
4. Corporate costs considered incremental to the Company's statutory reported cost base have been recognised as if the Company was a listed company from 1 July 2015 on a pro forma basis. The incremental costs include ASX listing fees, audit fees, registry costs, board fees and insurance.
5. The conversion option associated with the Company's convertible note facilities has been deemed a financial derivative and accounted for at fair value by the Company. As the convertible note facilities will convert to ordinary share capital at the time of the Offer, any loss or gain on fair value revaluation of the conversion options has been excluded from pro forma historical and forecast statement of profit or loss and other comprehensive income to align with the anticipated capital structure of the Company upon completion of the Offer.
6. This adjustment reflects a share-based payment expense of the Company's Equity Incentive Plan as if the plans were implemented from 1 July 2015. In FY2019, the Company has anticipated the accelerated expense of share options issued in FY2018 as the Company implements the new Employee Incentive Plans (refer Section 6.8.2).
7. Transaction costs associated with capital raising activities including the Offer itself have been excluded from the pro forma historical and forecast statement of profit or loss and other comprehensive income. The anticipated transaction costs associated with the Offer include the Company's best estimate assumptions with regard to GST recoverability and income tax treatment.
8. The Company recorded a one-off loan forgiveness gain of $160,000 in FY2017.
9. The interest charges associated with the Company's existing convertible note facilities have been excluded from the pro forma statement of profit or loss and other comprehensive income to reflect the anticipated capital structure of the Company upon completion of the Offer.
10. As the Company de-recognised carry forward tax losses at 30 June 2018, no income tax benefit has been reflected in the pro forma historical and forecast statement of profit or loss and other comprehensive income.

4.8 Pro forma historical and pro forma forecast revenue by geography

Table 5 sets out the pro forma historical and pro forma forecast revenue by geography for FY2016, FY2017, FY2018 and FY2019.

Table 5: Pro forma historical and forecast revenue by geographical region

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
USA		14,797	14,781	16,896	20,676
EMEA	1	8,376	8,812	10,374	13,419
APAC	2	7,091	7,315	6,988	7,500
Other	3	257	184	1,390	650
Revenue – total		**30,521**	**31,091**	**35,648**	**42,245**

Notes:

1. EMEA comprises Europe, the Middle East and Africa.
2. APAC represents the Asia Pacific region including Australia and New Zealand.
3. Other revenue includes non-warranty repairs, royalties received by the Company from commercial partners on sales of co-branded products, license fees received by the Company from technology partners, proceeds from government grants and foreign exchange gains.

4.9 Pro forma historical consolidated statement of financial position

4.9.1 Overview

The pro forma historical consolidated statement of financial position as at 30 June 2018 as set out in Table 6 is derived from the statutory consolidated statement of financial position as at 30 June 2018, adjusted to reflect the impact of the Offer.

The pro forma historical consolidated statement of financial position is provided for illustrative purposes and is not represented as being necessarily indicative of the Company's view of its financial position upon Completion of the Offer or at a future date. Further information on the sources and uses of the Offer proceeds is contained in Section 8.4.

Table 6: Statutory historical and pro forma historical consolidated statement of financial position

		30 JUNE 2018						
$ thousand	Notes	Statutory	Convertible note conversion or redemption	Pre-IPO convertible note conversion	Offer proceeds	Offer transaction costs	Impact of the Pre-IPO capital raise and the Offer	**Pro forma**
Current assets								
Cash and cash equivalents	1	1,447	(1,950)	6,400	6,000	(1,410)	9,040	10,487
Trade and other receivables		4,848					0	4,848
Inventories		5,953					0	5,953
Other assets		1,746				37	37	1,783
Current assets – total		**13,994**	**(1,950)**	**6,400**	**6,000**	**(1,373)**	**9,077**	**23,071**
Non-current assets								
Property, plant & equipment		824					0	824
Intangible assets		7,671					0	7,671
Non-current assets – total		**8,495**	**0**	**0**	**0**	**0**	**0**	**8,495**
Assets – total		**22,489**	**(1,950)**	**6,400**	**6,000**	**(1,373)**	**9,077**	**31,566**
Current liabilities								
Trade and other payables		(8,461)					0	(8,461)
Borrowings	2	(2,706)	2,706				2,706	0
Provisions		(493)					0	(493)
Other financial liabilities	2	(1,496)	1,496				1,496	0
Current liabilities – current		**(13,156)**	**4,202**	**0**	**0**	**0**	**4,202**	**(8,954)**
Non-current liabilities								
Provisions		(47)					0	(47)
Non-current liabilities – total		**(47)**	**0**	**0**	**0**	**0**	**0**	**(47)**
Liabilities – total		**(13,203)**	**4,202**	**0**	**0**	**0**	**4,202**	**(9,001)**
Net assets		**9,286**	**2,252**	**6,400**	**6,000**	**(1,373)**	**13,279**	**22,565**
Equity								
Issued capital	3	28,987	3,591	8,697	6,000	(925)	17,363	46,350
Share issue reserve			(1,514)				(1,514)	(1,514)
Foreign currency translation reserve		1,365					0	1,365
Accumulated losses	4	(21,066)	175	(2,297)		(448)	(2,570)	(23,636)
Equity – total		**9,286**	**2,252**	**6,400**	**6,000**	**(1,373)**	**13,279**	**22,565**

Notes:

1. Cash and cash equivalents: Adjustments to cash and cash equivalents reflect:
   - Assumed redemption of convertible notes issued by the Company in May 2017 (2.0 million);
   - Cash proceeds from convertible notes issued by the Company in September 2018 net of transaction costs ($6.4 million);
   - Anticipated cash proceeds from the Offer ($6.0 million); less
   - Forecast transaction costs associated with the Offer ($1.4 million)
2. Borrowings and Other financial liabilities: Adjustment reflects the assumed conversion and redemption of convertible notes used by the Company on the statutory statement of financial position at 30 June 2018 immediately prior to Completion of the Offer. The Other financial liabilities includes the fair value of a derivative liability representing the conversion option associated with the convertible notes.
3. Issued capital: Adjustments to issued capital reflect:
   - Assumed conversion of convertible notes ($3.6 million) used by the Company on the statutory statement of financial position at 30 June 2018 and issued by the Company in September 2018 ($8.7 million) recognised at fair value assuming the conversion upon Completion of the Offer to issued capital at $0.41 per ordinary share; and
   - New issued capital from the Offer itself ($6.0 million) net of transaction costs anticipated to be recognised directly against issued capital ($0.9 million).
4. Accumulated losses: Adjustments to accumulated losses reflect:
   - Assumed conversion of convertible notes held by the Company on the statutory statement of financial position at 30 June 2018 and issued by the Company in September 2018 recognised in the FY2019 statutory forecast statement of profit or loss and other comprehensive income at fair value assuming the conversion to ordinary share capital valued upon Completion of the Offer at $0.41 per share; and
   - Transaction costs associated with the Offer ($0.4 million) anticipated to be recognised in the FY2019 statutory forecast statement of profit or loss and other comprehensive income.

4.9.2 Liquidity and capital resources

Following Completion of the Offer, the Company's principal sources of funds will be cash flow from operations, Export Finance and Insurance Corporation (EFIC) loan facility (refer below) and cash held at Completion of the Offer.

The Directors expect that the Company will have sufficient cash flow from operations to meet its business needs during the forecast period and will have sufficient working capital to carry out the stated objectives in this Prospectus.

The EFIC loan facility is an export finance facility which provides the Company the ability to bring forward the receipt of up to 75% of the cash from customer purchase orders by up to 120 days. The facility limit is $1.5 million. The Company has assumed that the EFIC loan will be fully drawn in December 2018.

4.9.3 Contractual obligations and commitments

Table 7 set out below summarises the Company's contractual obligations and commitments at 30 June 2018.

Table 7: Commitments and contingencies as of 30 June 2018

$ thousand	Notes	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Non-cancellable operating lease commitments	1	170	–	–	170
Non-cancellable capital expenditure	2	1,745	–	–	1,745

Notes:

1. The Company leases offices at various locations under operating leases. This reflects the future minimum (non-cancellable) lease payments.
2. The Company has contractual obligations with third party providers associated with the development of a 4k ASIC chip.

Import customs dispute

In FY2017, the Company was informed that the German customs authority had assessed the Company to be importing recorder monitor products within a category subject to a higher import duty rate than paid by the Company. Since FY2017, the Company has paid import duties at the higher rate. As of the date of this Prospectus, this matter remains subject to ongoing dialogue between the Company's legal advisers and the German customs authority.

At 30 June 2017, the Directors of the Company believed it prudent to recognise an accrual for the potential obligation for additional custom duties in relation to recorder monitor products imported prior to and during FY2017. The associated expense has been recognised in Table 4 as a pro forma adjustment to the statutory historical statement of profit or loss and other comprehensive income. In addition, a cash payment in relation to a required bank guarantee has been recognised in Table 10 as a pro forma adjustment to the statutory historical statements of cash flows.

At 30 June 2018, the Company's statement of financial position has retained a liability for the potential exposure of this dispute. The Directors have not assumed any settlement in the Forecast Financial Information in association with this dispute. However, should the issue be resolved in favour of the customs authority then the Company would be required to pay the balance of the disputed duties (EUR 474,000).

Potential legal dispute

The Directors have been made aware that legal proceedings may be brought against the Company by RED.com LLC over alleged patent infringement by some of its products (refer section 5.1.9). RED.com LLC ("RED") has alleged that the recording and/or playback of two of five video codec standards currently implemented by certain Company products infringe four RED patents. RED has offered the Company a license to rights under those patents with respect to the implementation. The Company denies RED's allegations and the parties have engaged in discussions to attempt to resolve the matter including in respect of the proposed license. If the parties are unable to resolve the matter, RED may initiate litigation against the Company in an effort to enforce its patent rights. Patent claims or litigation against the Company, regardless of their merits, could, amongst other things, be time consuming and expensive to defend, force the Company to remove the prospective format from certain products, delay shipments of Company products and require the Company to pay damages or settlement fees. This matter has been recognised as a contingent liability at 30 June 2018 in the Company's audited consolidated financial statements. The Directors have not assumed any settlement in the Forecast Financial Information in association with this matter.

4.9.4 Indebtedness

Table 8 set out below summarises the Company's indebtedness at 30 June 2018 before and following Completion of the Offer, as if Completion of the Offer had occurred at 30 June 2018.

Table 8: Indebtedness as of 30 June 2018

$ thousand	Notes	Statutory (before Completion of the Offer)	Pro forma (after Completion of the Offer)
Cash and cash equivalents	1	1,447	10,487
Borrowings	2	(4,202)	–
Total		**(2,755)**	**10,487**

Notes:

1. Refer to Table 10 for pro forma adjustments to the statutory cash position as at 30 June 2018.
2. Convertible notes used by the Company on the statutory statement of financial position at 30 June 2018 are anticipated to convert to issued capital immediately prior to Completion of the Offer.

4 Financial Information

4.10 Pro forma historical and forecast consolidated statement of cash flows and statutory forecast consolidated statements of cash flows

4.10.1 Overview

Table 9 sets out below the pro forma historical consolidated statements of cash flows for FY2016 to FY2018, pro forma forecast consolidated statement of cash flows for FY2019 and the statutory forecast consolidated statement of cash flows for FY2019.

Table 9: Pro forma historical and forecast consolidated statement of cash flows and statutory forecast consolidated statement of cash flows

		PRO FORMA HISTORICAL			PRO FORMA FORECAST	STATUTORY FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019	FY2019
EBITDA		**(4,574)**	**(4,509)**	**222**	**288**	**(1,932)**
Non cash items in EBITDA	1	467	467	467	467	2,368
Change in working capital	2	2,760	120	(3,672)	(2,351)	(2,351)
Net cash flows from operations		**(1,347)**	**(3,923)**	**(2,983)**	**(1,597)**	**(1,915)**
Capital expenditure	3	(3,654)	(2,405)	(4,353)	(2,901)	(2,901)
Net cash flows before financing activities		**(5,002)**	**(6,328)**	**(7,336)**	**(4,498)**	**(4,816)**
Net interest	4	–	–	–	(32)	(676)
Income tax payments		(704)	(546)	–	–	–
Net proceeds from borrowings & finance leases		(211)	(45)	(110)	1,500	1,500
Net proceeds from convertible notes	5	5,130	8,339	1,112	6,400	6,400
Convertible note redemption					(1,950)	(1,950)
Proceeds from equity issued including the Offer	6	–	–	7,000	6,000	6,000
Transaction costs	7	–	–	(410)	(1,372)	(924)
Net cash flows		**(787)**	**1,420**	**256**	**6,049**	**5,534**

Notes:

1. Non-cash items in EBITDA relate to the share-based payment expense in relation to the Company's Employee Incentive Plans. The share-based payment expense recognised in the pro forma historical and pro forma forecast EBITDA is $467,000. The share-based payment expense assumed in the statutory forecast EBITDA is $598,000 million in addition to a fair value revaluation of the financial derivatives associated with the Company's convertible note facilities of $1.8 million.
2. Changes in working capital reflect historical and forecast changes in inventory, trade receivables, prepayments, trade payables, accrued expenses and provisions.
3. Capital expenditure relates to the capitalisation of third-party development costs in relation to future product development and the purchase of plant & equipment to support the Company's operations. The Company does not capitalise any internally incurred development expenditure, such as employee benefits costs.
4. The FY2019 pro forma forecast statement of cash flows includes interest on the Company's EFIC loan facility less assumed interest income on anticipated cash holdings. In addition, interest charges associated with the convertible notes prior to the assumed conversion immediately prior to Completion of the Offer are reflected in the FY2019 statutory forecast statement of cash flows.
5. Reflects the proceeds raised under two capital raising processes undertaken by the Company via convertible note facilities with the latter process being a pre-IPO raise completed by the Company in September 2018.
6. Reflects the proceeds from an equity rights issue in FY2018 and from the Offer.
7. Cash costs associated with the Offer of $1.4 million are anticipated in FY2019 as reflected in the pro forma forecast statement of cash flows. The statutory forecast cash flow has recognised the costs associated with the Offer within EBITDA ($0.4 million) and those costs assumed to be capitalised directly against issued capital ($1.0 million) are disclosed in Table 9. Cash costs of the Offer of $1.4 million include $0.2 million assumed to be funded from normal operations and $1.2 million to be funded by the Offer in accordance with Section 8.4 Source and Use of Funds.

4.10.2 Pro forma adjustments to the statutory historical and statutory forecast consolidated statements of cash flows

Table 10 sets out the adjustments to the statutory historical and statutory forecast consolidated statements of cash flows to derive the pro forma historical and pro forma forecast consolidated statements of cash flows.

Table 10: Pro forma adjustments to the statutory consolidated statements of cash flows

		HISTORICAL			FORECAST
$ thousand	Notes	FY2016	FY2017	FY2018	FY2019
Statutory net cash flows		**(636)**	**452**	**(94)**	**5,534**
Interest paid	1	86	565	432	644
Transaction costs in statutory P&L	2	–	158	128	–
Customs dispute cost	3	–	477	–	–
Incremental listed company costs	4	(236)	(233)	(210)	(129)
Pro forma net cash flows		**(787)**	**1,420**	**256**	**6,049**

Notes:

1. Interest expense paid in relation to the Company's convertible note facilities has been excluded from historical and forecast pro forma statements of cash flows to reflect the proposed capital structure of the Company on Completion of the Offer.
2. Transaction costs associated with historical capital raising activities have been excluded from pro forma statement of cash flows.
3. As discussed in Section 4.9.3 Contractual Obligations and commitments, in FY2017, the Company contributed $0.5 million to bank guarantees in relation to the import customs dispute with the German authority.
4. Corporate costs considered incremental to the Company's statutory reported cost base have been recognised as if the Company was a listed company from 1 July 2015 The incremental costs include ASX listing fees, audit fees, registry costs, board fees and insurance.

4.11 Management discussion and analysis of Pro Forma Historical Financial Information

4.11.1 General factors affecting the operating performance of the Company

The key factors which affected the Company's operating and financial performance during FY2016, FY2017 and FY2018 and which the Company expects may continue to affect operating and financial performance in the future are summarised below.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected the Company's historical operating and financial performance, nor everything that may affect the Company's operating and financial performance in the future.

The information in this section should be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.11.2 Revenue

Atomos generates revenue from the sale of its products via the Company's global network of distributors and resellers. As Atomos' shipping terms are CIF (cost, insurance and freight), revenue is recognised at the point at which title passes to the customer (i.e. when the goods have been received by the customer's freight forwarder).

Atomos' revenues are primarily denominated in USD (FY2018: 70%) with 19% in EUR, 8% in GBP and 3% in AUD. From April 2018, revenue is invoiced by the Company's German subsidiary in the customer's currency and translated to EUR at the foreign exchange rate prevailing on the date that revenue is recognised. The revenue reported by the German subsidiary is translated to AUD on consolidation of the Company's consolidated group financial accounts at the average foreign exchange rate for the month.

4 Financial Information

Atomos' revenue is generally influenced by the following factors:

- Video production market trends, technology advancements and consumer demand, discussed in Section 2;
- The relative attractiveness and cost of alternatives to Atomos' products, discussed in Section 3.4;
- Atomos' ability to continually bring innovative new products to market, discussed in Section 3.9;
- The success of Atomos' sales and marketing initiatives, discussed in Section 3.8.2; and
- Technology access and licensing fees are a contributing aspect of the Company's revenue profile, notably in FY2018, with the Company's technology partners.

4.11.3 Gross profit

Cost of goods sold (COGS) comprise the cost of componentry and assembly associated with the production of saleable goods. COGS also include warranty and obsolescence provisioning costs.

The Company's input costs are substantially incurred in USD.

Gross profit is influenced by:

- Product mix;
- Stage of key products in the product lifecycle;
- Technology access and licensing fees; and
- Variability in the cost of componentry and assembly costs.

4.11.4 Operating expenses

Distribution expenses: Distribution expenses are largely influenced by production volumes with logistics and warehouse costs incurred to freight product to customers with CIF terms.

Employee related costs (presented in this Prospectus within Employee benefits expense and Research & development expenditure) are the most significant expense representing 56% of the Company's total FY2018 operating expenses. Atomos employees are currently located in six countries. The majority of associated employee benefit costs are incurred in AUD with employees remunerated in local currencies (USD, GBP, EUR and JPY) as applicable.

Employee benefits expense: includes all employee related costs including employee remuneration, applicable on costs and share-based payment expenses associated with the Company's Employee Incentive Plans (refer Section 6.8.1 & 6.8.2). Engineering employee related costs, to the extent applicable, are presented within Research & development expenditure.

Research & development expenditure: Research & development relates principally to the employee related costs (including on costs) associated with the development of new products. The Company does not capitalise any internally incurred development costs due to the uncertainty at the time the costs are incurred as to whether the asset will generate probable future economic benefits.

Marketing expenses: Marketing spend relates predominantly to trade shows, where the Company exhibits new and forthcoming products, particularly IBC (Amsterdam) and NAB (Las Vegas). Marketing expenses also includes general advertising and promotional expenses and travel costs.

General & administrative expenses: General & administrative expenses include occupancy costs, office costs, legal and professional fees, IT costs, doubtful debt provisioning and realised foreign exchange losses.

4.11.5 Cash flows

Working capital: The change in working capital is influenced by the movement in inventory, trade and other receivables, prepaid expenses, trade and other payables and provisions.

Capital expenditure: Expenditure incurred in the development of technology for utilisation in the Company's next generation of products and also plant & equipment to support the operations of the Company. Capitalised development costs are amortised on a straight-line basis over a four-year period.

4.11.6 Management discussion and analysis: FY2017 in comparison to FY2016

Table 11 sets out below the pro forma historical consolidated statement of profit or loss and other comprehensive income for FY2017 compared to FY2016.

Table 11: Pro forma historical consolidated statement of profit or loss and other comprehensive income: FY2017 compared to FY2016

	PRO FORMA HISTORICAL		CHANGE	
$ thousand	FY2016	FY2017	$	%
Revenue	30,521	31,091	570	1.9%
Cost of goods sold	(15,162)	(14,909)	253	1.7%
Gross profit	**15,359**	**16,182**	**823**	**5.4%**
Other income	122	256	134	110.5%
Distribution expenses	(971)	(1,076)	(104)	(10.7%)
Employee benefits expense	(6,405)	(6,040)	365	5.7%
Share based payment expense	(467)	(467)	–	–
Marketing expenses	(5,396)	(6,033)	(638)	(11.8%)
General & administration expenses	(2,037)	(2,983)	(947)	(46.5%)
EBITDA (before R&D expenditure)	**205**	**(161)**	**(366)**	**(178.6%)**
Research & development expenditure	(4,779)	(4,348)	431	9.0%
EBITDA	**(4,574)**	**(4,509)**	**64**	**1.4%**
Depreciation & amortisation	(182)	(213)	(30)	(16.6%)
EBIT	**(4,756)**	**(4,722)**	**34**	**0.7%**
Net interest	–	–	–	–
Loss before tax	**(4,756)**	**(4,722)**	**34**	**0.7%**
Income tax	–	–	–	–
Loss after tax	**(4,756)**	**(4,722)**	**34**	**0.7%**

Notes:
Refer to notes of Table 1.

Table 12 sets out below the pro forma historical revenue by geography for FY2017 compared to FY2016.

Table 12: Pro forma historical revenue by geographical region: FY2017 compared to FY2016

		PRO FORMA HISTORICAL		CHANGE	
$ thousand	Notes	FY2016	FY2017	$	%
USA		14,797	14,781	(16)	(0.1%)
EMEA	1	8,376	8,812	436	5.2%
APAC	2	7,091	7,115	24	0.3%
Other	3	257	384	127	49.5%
Revenue – total		**30,521**	**31,091**	**570**	**1.9%**

Notes:
Refer to notes of Table 5.

Table 13 sets out below the pro forma historical monitor recorder financial and operating metrics for FY2017 compared to FY2016.

Table 13: Pro forma historical monitor recorder financial and operating metrics

		PRO FORMA HISTORICAL		CHANGE	
$ thousand	Notes	FY2016	FY2017	$	%
Monitor recorder revenue		27,560	27,906	346	1.3%
Monitor recorder revenue as % of total revenue		90.3%	89.8%	n/a	(0.5%)
Sales volume (units)		30,453	27,548	(2,905)	(9.5%)
Average unit price ($)		905	1,013	108	11.9%
Gross profit %		n/a	50.5%	n/a	n/a

Notes:
Refer to notes of Table 2.

Revenue

In FY2017 the Company recorded a modest increase in revenue of 1.9% ($570,000) including other revenue of $384,000 relating to non-warranty repairs, royalties received by the Company from commercial partners on sales of co-branded products and income from government grants.

During FY2016 and FY2017 the Company focused significant management effort and Company resources in the development of a new proprietary technology platform (refer Section 3.2) which would underpin the Company's next generation of products.

During FY2017 sales of the Company's smaller format monitor recorder devices slowed as these products were discontinued. This led to a reduction in unit volume sales of 9.5% and an increase in average unit price of 11.9%.

As a result of the amount of resource consumed by the technology platform development, the Company was limited in the number of new products it could bring to market during FY2017, resulting in the slower revenue growth. Furthermore, the Company was reliant on the new technology platform in order to develop and introduce a new small format device with the feature sets present in its latest larger devices.

Gross profit

Gross profit grew by $0.8 million to $16.2 million in FY2017 and gross profit margin increased to 52.0% in FY2017 (FY2016: 50.3%) largely reflecting the relatively strong margins associated with the Shogun Inferno and Ninja Inferno products.

Operating expenses

The Company's total operating expenses of $20.9 million in FY2017 reflected an increase of 4.5% relative to FY2016 attributable to the following:

Distribution expenses: An increase of 10.7% or $104,000 in FY2017 reflected freight cost indexation and an increase of sales to the EMEA region;

Employee benefits expense: A 5.7% ($365,000) reduction in employee costs (excluding engineering costs presented in research & development expenditure) reflected the closure of the Company's sales office in Japan as the Company appointed a distributor to service the Japanese market;

Marketing expenses: Marketing investment in establishing and building Atomos global brand eminence peaked in FY2017 at $6.0 million (an 11.8% increase above FY2016 marketing spend). During FY2017, marketing spend was largely focused on trade show activities;

General & administrative expenses: An increase of $0.9 million was due to a number of factors, most notably increased professional fees ($344,000), FBT expense ($100,000), IT costs ($60,000) and costs associated with the establishment of offices in Japan, Germany and the UK for the newly recruited engineering teams in these locations; and

Research & development expenditure: A reduction of $431,000 (9.0%) in FY2017 relative to FY2016 reflected adjustments to the headcount of the Company's engineering teams.

EBITDA

The EBITDA loss of $4.5 million in FY2017 was marginally below FY2016 reflecting gross profit improvement of $0.8 million, an increase in other income of $0.1 million offset by increases in operating expenses of $0.9 million, notably marketing and general & administration expenses.

Loss after tax

In FY2017 the loss after tax was consistent with the prior comparative year with a loss of $4.7 million.

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Pro forma historical consolidated statement of cash flows

Table 14 sets out below the pro forma historical consolidated statement of cash flows for FY2017 compared to FY2016.

Table 14: Pro forma historical consolidated statement of cash flows before financing activities: FY2017 compared to FY2016

	PRO FORMA HISTORICAL		CHANGE	
$ thousand	FY2016	FY2017	$	%
EBITDA	**(4,574)**	**(4,509)**	**64**	**1.4%**
Non cash items in EBITDA	467	467	–	–
Change in working capital	2,760	120	(2,640)	(95.7%)
Net cash flows from operations	**(1,347)**	**(3,923)**	**(2,576)**	**(191.2%)**
Capital expenditure	(3,654)	(2,405)	1,249	34.2%
Net cash flows before financing activities	**(5,002)**	**(6,328)**	**(1,327)**	**(26.5%)**

Notes:
Refer to notes of Table 9.

In FY2017, the EBITDA loss of $4.5 million was largely reflected in net cash outflows from operations partially offset by non-cash items in EBITDA ($0.5 million) and favourable movements in working capital of $0.1 million. In FY2016 the reduction in working capital of $2.8 million predominantly reflected a build in trade and other payables of $4.0 million partially offset by a net increase in trade and other receivables and inventory ($1.3 million).

Capital expenditure of $2.4 million in FY2017 reflected the continued investment in the Company's proprietary technology platform (refer Section 3.6) contributed to net cash outflows before financing activities of $6.3 million in FY2017, an increase of 26.5% relative to FY2016.

4.11.7 Management discussion and analysis: FY2018 in comparison to FY2017

Table 15 sets out below the pro forma historical consolidated statement of profit or loss and other comprehensive income for FY2018 compared to FY2017.

Table 15: Pro forma historical consolidated statement of profit or loss and other comprehensive income: FY2018 compared to FY2017

	PRO FORMA HISTORICAL		CHANGE	
$ thousand	FY2017	FY2018	$	%
Revenue	31,091	35,648	4,557	14.7%
Cost of goods sold	(14,909)	(18,346)	(3,437)	(23.1%)
Gross profit	**16,182**	**17,302**	**1,120**	**6.9%**
Other income	256	332	76	29.7%
Distribution expenses	(1,076)	(1,233)	(157)	(14.6%)
Employee benefits expense	(6,040)	(6,004)	36	0.6%
Share based payment expense	(467)	(467)	–	–
Marketing expenses	(6,033)	(2,322)	3,711	61.5%
General & administration expenses	(2,983)	(3,622)	(639)	(21.4%)
EBITDA (before R&D expenditure)	**(161)**	**3,986**	**4,147**	**2,573.1%**
Research & development expenditure	(4,348)	(3,764)	584	13.4%
EBITDA	**(4,509)**	**222**	**4,731**	**104.9%**
Depreciation & amortisation	(213)	(278)	(65)	(30.8%)
EBIT	**(4,722)**	**(56)**	**4,666**	**98.8%**
Net interest	–	–	–	–
Loss before tax	**(4,722)**	**(56)**	**4,666**	**98.8%**
Income tax	–	–	–	–
Loss after tax	**(4,722)**	**(56)**	**4,666**	**98.8%**

Notes:
Refer to notes of Table 1.

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Table 16 sets out below the pro forma historical revenue by geography for FY2018 compared to FY2017.

Table 16: Pro forma historical revenue by geographical region: FY2018 compared to FY2017

		PRO FORMA HISTORICAL		CHANGE	
$ thousand	Notes	FY2017	FY2018	$	%
USA		14,781	16,896	2,115	14.3%
EMEA	1	8,812	10,374	1,562	17.7%
APAC	2	7,315	6,988	(327)	(4.5%)
Other	3	184	1,390	1,206	655.0%
Revenue – total		**31,091**	**35,648**	**4,557**	**14.7%**

Notes:
Refer to notes of Table 5.

Table 17 sets out below the pro forma historical monitor recorder financial and operating metrics for FY2017 compared to FY2018.

Table 17: Pro forma historical monitor recorder financial and operating metrics

		PRO FORMA HISTORICAL		CHANGE	
$ thousand	Notes	FY2017	FY2018	$	%
Monitor recorder revenue		27,906	30,983	3,077	11.0%
Monitor recorder revenue as % of total revenue		89.8%	86.9%	n/a	(2.8%)
Sales volume (units)		27,548	26,459	(1,089)	(4.0%)
Average unit price ($)		1,013	1,171	158	15.6%
Gross profit %		50.5%	46.9%	n/a	(3.6%)

Notes:
Refer to notes of Table 2.

Revenue

Revenue growth in FY2018 of 14.7% or $4.6 million was largely driven by launch of the large format Sumo 19” monitor recorders and the Company’s best performing product, Shogun Inferno. Revenue growth in FY2018 was derived from the USA and EMEA geographical regions.

Revenue also included $1.0m from technical partner JVC KENWOOD reflecting a fixed, upfront fee for access to certain hardware technologies that the Company had been developing under the agreement summarised in Section 9.5.2 (the fee is disclosed within other revenue in Table 15 Revenue by geographical region).

The higher priced large format Sumo 19" monitor recorders drove a 15.6% increase in the average unit price to $1,171. There was a lower reduction in volumes (4.0%) as a result of underlying growth in the existing range, particularly Shogun Inferno.

Gross profit

Gross profit increased by $1.1 million or 6.9% in FY2018 largely reflecting the aforementioned sales growth.

Gross profit margin declined in FY2018 to 48.5% (FY2017: 52.0%) attributable to a number of factors including strategic price adjustments, the introduction of a range of lower margin converter products and discounting for key promotional activities.

Operating expenses

The Company's total operating expenses of $17.4 million in FY2018 reflected a reduction of 16.9% relative to FY2017 attributable to the following:

Distribution expenses: An increase of 14.6% or $157,000 in FY2018 largely reflected the increase of sales volume;

Employee benefits expense: The Company reported a $36,000 (0.6%) cost saving in FY2018 largely through the rationalisation of certain functions offsetting remuneration indexation of the Company's employee workforce;

Marketing expenses: In FY2018, a reduction of $3.7 million (61.5%) in marketing spend relative to FY2017 reflected the establishment of strong brand equity and Management's assessment of a lower investment requirement as well as a strategy of devolving responsibility for some of the smaller trade shows to the Company's distributors in those regions;

General & administrative expenses: A $0.6 million (21.4%) increase in general & administrative costs largely reflects an increase in realised foreign exchange losses (FY2018: $410,000; FY2017: $95,000) and occupancy expenses (FY2018: $674,000; FY2017: $549,000); and

Research & development expenditure: In FY2018, a reduction in certain overseas engineering resources contributed to a $0.6 million (13.4%) reduction in research & development expenditure. The reduction in engineering resources reflected the completion of key elements of the Company's project to develop a proprietary technology platform (refer Section 3.6).

EBITDA

The gross margin uplift of $1.1 million and operating cost reduction initiatives in FY2018 combined to reduce EBITDA losses by $4.7 million to $0.2 million in comparison to FY2017.

Loss after tax

Loss after tax performance improved to $0.1 million in FY2018 relative to $4.7 million in FY2017.

Table 18: Pro forma historical consolidated statement of profit or loss and other comprehensive income: FY2018 compared to FY2017

	PRO FORMA HISTORICAL		CHANGE	
$ thousand	FY2017	FY2018	$	%
EBITDA	(4,509)	222	4,731	104.9%
Non cash items in EBITDA	467	467	–	–
Change in working capital	120	(3,672)	(3,791)	(3,169.2%)
Net cash flows from operations	**(3,923)**	**(2,983)**	**940**	**24.0%**
Capital expenditure	(2,405)	(4,353)	(1,948)	(81.0%)
Net cash flows before financing activities	**(6,328)**	**(7,336)**	**(1,008)**	**(15.9%)**

Notes:
Refer to notes of Table 9.

The improvement in EBITDA in FY2018 relative to FY2017 of $4.7 million was largely offset by an investment in working capital, particularly in inventory contributing to net cash out flows from operations which were $940,000 lower than in FY2017. The increase in inventory holdings at June 2018 relative to June 2017 reflected variability in supply of product componentry and increased inventory levels in anticipation of the launch of the Ninja V 5” recorder monitor in the first half of FY2019.

Capital expenditure increased by $1.9 million to $4.4 million in FY2018, reflecting investment in the Company’s proprietary technology platform (refer Section 3.6).

Net cash outflows before financing activities of $7.3 million in FY2018, an increase of 16.0% above FY2017.

4.12 Forecast Financial Information

The basis of preparation of the Forecast Financial Information is set out in Section 4.13. This section describes the general assumptions and specific assumptions adopted in preparation of the Forecast Financial Information.

4.12.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the forecast period:

- no material change to the competitive environment in which the Company operates;
- no significant deviation from current market expectations of broader economic conditions relevant to countries in which the Company operates;
- no material change in the legislative regimes (including taxation) and regulatory environment in the areas in which the Company operates;
- no material amendment to any material agreement or arrangement relating to the Company’s business;
- no material changes in foreign currency exchange rates, particularly as they relate to the Australian dollar, United States dollar and Euro;
- no loss of key management personnel and the Company maintains its ability to recruit and retain required personnel;
- no changes to AAS, the Corporations Act or other financial reporting requirements that may have a material effect on the Company’s accounting policies during the forecast period;
- no change in the Company’s capital structure, other than changes flowing directly from the Offer as set out in, or contemplated by this Prospectus;
- no material acquisitions, disposals, restructuring or investments;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- the Offer proceeds substantially in accordance with the timetable set out on page 3 of this Prospectus; and
- none of the key risks listed in Section 5 occurs, or if they do, none of them has a material adverse impact on the operations of the Company.

4.12.2 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below:

4.12.2.1 Revenue

Forecast revenue reflects assumed sales assumptions developed by product and geographical region incorporating volume and anticipated Manufacturer Suggested Retail Price (MSRP) less an allowance for customer arrangements and terms.

Existing product sale volume assumptions have been developed with reference to recent average monthly volumes. New product sale volume assumptions reflect management's best estimates of product launch timing and anticipated end consumer demand.

Management has also assumed certain products to reach the end of the product lifecycle and be discontinued within FY2019.

Forecast 4k chip sales reflect arrangements with the Company's technology partner, JVC KENWOOD (refer Section 3.7.1).

4.12.2.2 Gross profit

Forecast COGS reflects assumed sales volumes and the bill of materials (BOM) cost by product. The assumed BOM for existing products reflects recent historical trends and for new products the BOM has been anticipated by Management with reference to a combination of comparable products, product designs and correspondence with the Company's componentry suppliers and assembly partner.

Management has assumed a proportion of product will be sold to customers via Europe with applicable customs duties considered in COGS for the relevant products.

Warranty and obsolescence provisioning cost and sundry manufacturing cost assumptions within COGS have been prepared with reference to recent historical trends.

4.12.2.3 Operating expenses

Distribution expenses: Forecast distribution expenses reflect anticipated product sale volumes and freight and warehouse costs comparable with recent historical trends.

Employee benefits expense and Research & development expenditure: Employee related costs have been forecast by individual role by local currency. The forecast consists of remuneration, allowances, bonuses, leave provisions, health insurance, and on-costs (workers compensation, payroll taxes and superannuation) and share based payment expenses.

The forecast methodology includes remuneration indexation and assumed commencement and end dates for employees where applicable.

Forecast research & development expenditure reflects a portion of the total forecast employee related costs reflecting identified engineer roles solely dedicated to R&D projects and an allocation of the remaining engineering workforce to research & development with reference to historical trends. The Company does not capitalise any internally incurred development costs due to the uncertainty at the time the costs are incurred as to whether the asset will generate probable future economic benefits.

Marketing expenses: The marketing forecast has been prepared by the key marketing spend components of trade shows, advertising and other marketing expenses and associated travel. The expenses within each component have been forecast with reference to recent spend adjusted for assumed cost indexation and planned changes in scale or approach.

General & administrative expenses: General and administration costs are comprised of a number of individual cost categories including occupancy costs, office expenses, IT expenses, professional fees and other expenses. These costs have been forecast in FY2019 with reference to recent historical trends and assumed cost indexation.

4.12.2.4 Other costs and expenses

Depreciation and amortisation:

The estimated depreciation charge ($0.1 million) reflects the Company's plant & equipment, depreciation policy by asset class and planned additions during FY2019.

The estimated amortisation charge ($1.2 million) for capitalised intangible assets reflects the expected date of commercialisation of the intangible asset and straight-line amortisation over a four-year period. The capitalisated intangible assets anticipated to achieve commercialisation in FY2019 and commence amortisation include the Company's ongoing development investment in a 4K ASIC chip and other proprietary technology projects reflecting capital development expenditure in aggregate of $7.7 million.

Net interest: Net interest presented in the statutory forecast statement of profit or loss and other comprehensive income reflects interest expense on the convertible notes assumed payable until conversion of the notes immediately prior to Completion of the Offer, interest on the Company's EFIC loan facility less interest income (1.25%) from anticipated cash holdings. The convertible note interest expense relates to:

- the remaining convertible notes which were in place at 30 June 2018 with an interest rate of 10%; and
- new convertible notes of $7m issued in the pre-IPO capital raise in September 2018 with an interest rate of 10%.

All notes are assumed to convert to issued capital or be redeemed immediately prior to Completion of the Offer.

Net interest presented in the pro forma forecast statement of profit or loss reflects interest on the Company's EFIC loan facility less interest income (1.25%) from anticipated cash holdings.

4.12.2.5 Foreign currency

Where applicable, the Forecast Financial Information has been prepared with reference to forecast assumptions by transactional currency.

The Company's financial model has translated these forecast assumption outputs to AUD using the following exchange rates: AUD 1.00 = USD 0.73; EUR 0.63; GBP 0.56; JPY 81.49.

The Company's forecast revenue profile in FY2019 is anticipated to recognise sales most notably by the following transactional currencies: USD (70% of total FY2019 forecast revenue), Euro (19%) and GBP (9%).

The Company's forecast cost (COGS and operating expenses) profile is anticipated to be incurred most notably in the following transactional currencies: USD (67% of total FY2019 forecast costs), AUD (19%) and Euro (7%).

4.12.2.6 Income tax

As the Company de-recognised carry forward tax losses at 30 June 2018, no income tax benefit has been assumed in FY2019 in relation to the forecast loss before tax.

4.12.2.7 Cash flows

Working capital: The forecast trading net working capital profile has been developed with reference to the forecast statement of profit or loss and other comprehensive income assumptions, trading terms with customers and suppliers and assumed investment in inventory. The investment in inventory, particularly raw materials, reflects a combination of the Company's need to hold product in advance of production runs and to manage supplier order lead times for product componentry.

Capital expenditure: Forecast capital expenditure includes assumptions in relation to the completion of the development of a 4K ASIC chip ($2.2 million). A further $1.0 million of capital expenditure relates to the completion of development of other proprietary technology for use in Atomos' own products as well as through licensing arrangements with commercial partners. Other than the arrangement with JVC KENWOOD described in Section 9.5, such licensing opportunities in relation to the technologies associated with these capital projects have not been assumed in the Forecast Financial Information.

4.13 Management discussion and analysis of the Pro forma Forecast Financial Information

Table 19 sets out below the pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY2019 compared to the pro forma historical results for FY2018.

Table 19: Pro forma historical and forecast consolidated statement of profit or loss and other comprehensive income: FY2019 compared to FY2018

	PRO FORMA HISTORICAL	PRO FORMA FORECAST	CHANGE	
$ thousand	FY2018	FY2019	$	%
Revenue	35,648	42,245	6,597	18.5%
Cost of goods sold	(18,346)	(22,355)	(4,009)	(21.9%)
Gross profit	**17,302**	**19,890**	**2,588**	**15.0%**
Other income	332	151	(181)	(54.5%)
Distribution expenses	(1,233)	(1,553)	(320)	(26.0%)
Employee benefits expense	(6,004)	(7,149)	(1,145)	(19.1%)
Share based payment expense	(467)	(467)	0	0.1%
Marketing expenses	(2,322)	(3,262)	(940)	(40.5%)
General & administration expenses	(3,622)	(3,187)	435	12.0%
EBITDA (before R&D expenditure)	**3,986**	**4,424**	**438**	**11.0%**
Research & development expenditure	(3,764)	(4,135)	(371)	(9.9%)
EBITDA	**222**	**288**	**66**	**29.9%**
Depreciation & amortisation	(278)	(1,242)	(964)	(346.7%)
EBIT	**(56)**	**(954)**	**(897)**	**(1,595.2%)**
Net interest	–	(32)	(32)	–
Loss before tax	**(56)**	**(985)**	**(929)**	**(1,651.2%)**
Income tax	–	–	–	–
Loss after tax	**(56)**	**(985)**	**(929)**	**(1,651.2%)**

Notes:
Refer to notes of Table 1.

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Table 20 sets out below the pro forma forecast revenue by geography for FY2019 compared to pro forma historical revenue in FY2018.

Table 20: Pro forma historical and forecast revenue by geographical region: FY2019 compared to FY2018

		PRO FORMA HISTORICAL	PRO FORMA FORECAST	CHANGE	
$ thousand	Notes	FY2018	FY2019	$	%
USA		16,896	20,676	3,780	22.4%
EMEA	1	10,374	13,419	3,045	29.4%
APAC	2	6,988	7,500	512	7.3%
Other	3	1,390	650	(740)	(53.2%)
Revenue – total		**35,648**	**42,245**	**6,597**	**18.5%**

Notes:
Refer to notes of Table 5.

Table 21 sets out below the pro forma forecast and historical monitor recorder financial and operating metrics for FY2019 compared to FY2018.

Table 21: Pro forma forecast and historical monitor recorder financial and operating metrics for FY2019 compared to FY2018

		PRO FORMA HISTORICAL	PRO FORMA FORECAST	CHANGE	
$ thousand	Notes	FY2018	FY2019	$	%
Monitor recorder revenue		30,983	36,764	5,780	18.7%
Monitor recorder revenue as % of total revenue		86.9%	87.0%	n/a	0.1%
Sales volume (units)		26,459	47,315	20,856	78.8%
Average unit price ($)		1,171	777	(394)	(33.6%)
Gross profit %		46.9%	48.9%	n/a	2.0%

Notes:
Refer to notes of Table 2.

Revenue

Forecast revenue growth of 18.5% or $6.6 million in FY2019 relative to FY2018 largely reflects the anticipated introduction of the following new products:

- Ninja V, a new 5" monitor recorder (successfully launched in September 2018);
- Two next generation products anticipated to be launched in the first half of FY2019; and
- Two additional next generation products anticipated to be launched in the second half of FY2019.

Revenue growth assumed in FY2019 is anticipated to be derived from the USA and EMEA geographical regions, consistent with the growth pattern experienced in FY2018.

Forecast revenue of $650,000 in FY2019 is assumed from sales of the Palma chip to technical partner, JVC KENWOOD (refer Section 3.7.1).

The reintroduction of smaller format monitor recorders into the Company's product range is anticipated to result in a significant (78.8%) increase in monitor recorder unit volume sales and a reduction in average selling price of 33.6% to $777.

Gross profit

Gross profit is assumed to increase by $2.6 million in FY2019 relative to FY2018 largely attributable to forecast sales volume growth.

A 1.4% reduction in gross margin to 47.1% in FY2019 largely reflects assumed changes in mix of products sold.

Operating expenses

The Company's total forecast operating expenses of $19.8 million in FY2019 reflects an assumed increase of 13.4% relative to FY2018 attributable to the following:

Distribution expenses: An assumed increase of $320,000 or 26.0% reflects assumed sale volume growth in FY2019;

Employee benefits expense: An assumed increase of $1.1 million or 19.1% reflects additional headcount in engineering and commercial roles to drive the execution of Atomos' product development and sales delivery plans. Management anticipates the Company's headcount will be 90 by June 2019 (June 2018: 69). These additional roles will be brought on progressively through FY2019 and are aimed to provide the Company with capability to scale revenue and gross profit in future periods, with a particular focus on developing both products and new business in line with the growth strategy described in Section 3.9.

Marketing expenses: An assumed increase of $0.9 million or 40.5% of marketing largely reflects continued investment in the Company's important attendance and presentation at trade shows notably in Amsterdam and Las Vegas. It also includes an increased presence at some of the key photographic shows in order to drive awareness of the brand and products within that market where video is increasing in prominence;

General & administrative expenses: The forecast reduction in general & administrative expenses in FY2019 largely reflects realised foreign currency losses of $410,000 in FY2018 (FY2019: $nil) and a reduction in professional fees of $160,000, which has in effect offset assumed cost indexation of other general & administrative expenses in FY2019; and

Research & development expenditure: A 9.9% or $371,000 increase in Research & development expenditure forecast in FY2019 inclusive of the establishment of an application development team in Los Angeles.

EBITDA

Forecast EBITDA of $0.3 million in FY2019 represents an anticipated improvement of $0.1 million relative to FY2018 reflecting assumed gross profit growth of $2.6 million partially offset by anticipated operating cost uplift of $2.2 million.

Loss after tax

The forecast loss after tax of $1.0 million in FY2019 reflects the aforementioned EBITDA offset by assumed depreciation & amortisation of $1.1 million and to a lesser extent assumed net interest. The depreciation & amortisation charge reflects the commencement of amortisation of capitalised development costs as the associated projects reach the stage of commercialisation.

Table 22: Pro forma historical and forecast consolidated statement of cash flows before financing activities: FY2019 compared to FY2018

	PRO FORMA HISTORICAL	PRO FORMA FORECAST	CHANGE	
$ thousand	FY2018	FY2019	$	%
EBITDA	**222**	**288**	**66**	**29.9%**
Non cash items in EBITDA	467	467	(0)	(0.1%)
Change in working capital	(3,672)	(2,351)	1,320	36.0%
Net cash flows from operations	**(2,983)**	**(1,597)**	**1,386**	**46.5%**
Capital expenditure	(4,353)	(2,901)	1,452	33.4%
Net cash flows before financing activities	**(7,336)**	**(4,498)**	**2,838**	**38.7%**

Notes:
Refer to notes of Table 10.

The forecast net cash out flows from operations in FY2019 of $1.6 million reflect continued investment in working capital, particularly due to inventory. Consistent with trends experienced in FY2018, the Company has assumed additional investment in inventory holdings attributable to componentry supply lead times and additional inventory required to support forthcoming product launches.

In FY2019, forecast non-cash items in EBITDA reflect assumed share based payments in relation to the Company's Employee Incentive Plans ($467,000).

Forecast capital expenditure of $2.9 million relates to completion of a 4K ASIC chip development project ($1.7 million) and a further $1.2 million relating to the completion of development of other proprietary technology. This forecast capital expenditure contributes to assumed net cash out flows before financing activities of $4.5 million in FY2019.

4.14 Sensitivity analysis

The Forecast Financial Information included in Section 4 is based on a number of estimates and assumptions, as described in Section 4.12. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Directors and management, and based upon assumptions with respect to future business decisions, which are subject to change. The Forecast Financial Information is also subject to a number of risks including those outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Forecast Financial Information, the sensitivity of the forecast pro forma loss after tax for FY2019 of $1.0 million to changes in certain key assumptions is set out below.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any changes in one item to seek to minimise the net effect on the Company's earnings.

The sensitivity analysis set out below is intended to provide a guide only and variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Table 23: Sensitivity analysis on the pro forma forecast NPAT

Assumptions	Notes	Increase / decrease	FY2019 pro forma NPAT impact
Change in sales volume	1	+/-10%	+/-2,031
Change in gross margin %	2	+/-5%	+/-2,112
Change in operating expenses	3	+/-5%	-/+988
Change in transaction currency to AUD conversion	4	+/-10%	-/+1,194

Notes:

1. There are an inherent number of variables that influence sales volume and performance, particularly with regard to new product, including but not limited to competitor behaviour, supply chain performance and customer take up.
2. This sensitivity incorporates the potential variation in performance of product first margin, import duty, warranty and obsolescence costs.
3. This sensitivity reflects circumstances that may contribute to a variation from forecast operating costs (employee benefits, research and development, marketing and general and administration expenses).
4. In FY2019F, over 90% of revenue is forecast to be transacted in USD or EUR, and over 81% of COGS and operating costs of the Company are forecast in foreign currencies. As such, the Company's reported earnings in AUD are inherently subject to actual translation rates that will fluctuate during FY2019 relative to the forecast assumptions.

4.15 Recently introduced and forthcoming AAS

AASB 15 Revenue from contracts with customers

The AASB has issued a revised accounting standard in relation to revenue recognition, *AASB 15 Revenue from contracts with customers*, effective for annual reporting periods beginning on or after 1 January 2018. The Company will commence reporting under this standard for the reporting period ending 30 June 2019, being the period represented by the Forecast Financial Information presented in this Prospectus.

This Standard will replace the prior accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The effects of AASB 15 are not expected to have a material effect on the Company although the Company initially expects potential changes in the treatment of warranties and settlement discounts. On this basis, the revenue recognition practices of the Company assumed in the preparation of the Forecast Financial Information presented in this Prospectus are consistent with those adopted in the preparation of the Statutory Historical Financial Information. The disclosure requirements of AASB 15 may vary from the disclosures in the Company's historical financial statements.

AASB 9 Financial instruments

The new *AASB 9 Financial instruments* standard is effective for reporting periods commencing on or after 1 January 2018 and therefore applicable to the Company for the reporting period ending 30 June 2019, being the period represented by the Forecast Financial Information presented in this Prospectus.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should an entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The effects of AASB 9 are not expected to have a material effect on the Company. On this basis, the Forecast Financial Information presented in this Prospectus has been prepared on a consistent basis to the preparation of the Statutory Historical Financial Information.

AASB 16 Leases

In February 2016, the AASB issued *AASB 16 Leases*. When effective, this standard will replace the current accounting requirements applicable to leases in *AASB 117 Leases*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The Company will commence reporting under this standard for the reporting period ending 30 June 2020, being a period beyond the Forecast Financial Information presented in this Prospectus.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with *AASB 116 Property, plant and equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The Company is party to a number of property lease arrangements with regard to the Company's offices (refer Section 3.2). These lease arrangements will likely be treated in accordance with AASB 16 for the reporting period commencing 1 July 2019, and on this basis:

- a right of use asset and associated lease liability will be recognised on the Company's statement of financial position; and
- depreciation and interest expenses will be recognised in the Company's statement of profit or loss and other comprehensive income (i.e. below EBITDA) replacing the operating expense (i.e. above EBITDA) currently recognised by the Company in the Financial information.

As of the date of this Prospectus, the Company has not quantified the likely impacts of the adoption of AASB 16.

4.16 Dividend policy

The payment of a dividend by Atomos, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of Atomos, 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 Atomos, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company. The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate paying dividends to Shareholders for the foreseeable future.

The Directors intend to frank future dividends to the maximum extent possible, having regard to the level of Atomos' available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend upon Atomos' franking account balance (which is currently $0.6m) and its level of distributable profits. Atomos' franking account balance will depend on the amount of Australian income tax paid by Atomos.

To the extent that a dividend is unfranked or partially franked, the Directors intend to declare the unfranked portion to be conduit foreign income to the maximum extent possible, having regard to the level of Atomos' available conduit foreign income at the time of the future unfranked dividend payment. The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on Atomos' conduit foreign income balance (which is currently nil or nominal) and its level of distributable profits. Atomos' conduit foreign income balance will depend, among other things, on the amount of dividends received by Atomos from its non-Australian subsidiaries.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

5 Risk Factors

5 Risk Factors

This section describes some of the potential material risks associated with Atomos' business, the industry in which Atomos operates and the risks associated with an investment in Shares. Atomos is subject to a number of risks, both specific to the Company's business activities and of a general nature, which may either individually or in combination adversely impact Atomos' future operating and financial performance, investment returns and the value of Atomos' Shares. The occurrence or consequences of some of the risks described here are partially or completely outside of Atomos's control, or the control of Atomos' Directors and Management.

There are risks that are common to all investments in equity securities and which are not specific to an investment in Atomos – for example, the general volatility of share prices in Australia and overseas and risks associated with other external events which are not related to the usual course of the Company.

This section does not purport to list every risk that may be associated with Atomos' business or the industry in which Atomos operates, or an investment in Shares, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect Atomos will not emerge.

Any of these risks, or any other risks or other matters, may emerge and may have a material adverse effect on the business and its financial position and performance. There can be no guarantee that Atomos will achieve its stated objectives, deliver on its business strategy, or that the Forecast Financial Information or any forward-looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should read this Prospectus in its entirety and seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to apply for Shares.

5.1 Risks specific to an investment in Atomos

5.1.1 Reliance on key distributors and lack of formal written distribution agreements

Atomos does not have formal written contracts in place with a majority of its distributors who order and purchase products from Atomos on an ad hoc basis with no minimum purchase order obligations. This represents a risk of current sales revenue not being replicated. Atomos' customers and distributors may decide not to continue placing purchase orders with Atomos in the future or at the same level as in prior periods. As a result, Atomos' operating performance may vary from period to period and may fluctuate significantly in the future.

Generally, Atomos relies on a single distribution partner within each jurisdiction in which it operates. In the United States, a small number of distributors are responsible for generating around 50% of the Group's global revenue. Whilst Atomos has some written contracts with some of its key distributors, these do not have minimum purchase requirements. It is generally the case that Atomos does not have written contracts with its key distributors, which means that if Atomos' relationships with any of its key distributors deteriorate, or should any of these key distributors not order products from Atomos, then Atomos' business and financial condition could be adversely impacted.

5.1.2 Supply chain disruption risk

There are certain components for which Atomos has a single or limited source of supply. This includes FPGA chips supplied by Xilinx or Altera and LCD Panels for which there is generally only one supplier for each product.

Accordingly, there is a risk that if the supplier of these components was to cease supply, this could cause a disruption to Atomos' ability to deliver its products. Further to this, Atomos would have difficulty in sourcing alternative suppliers for certain of these components which are only available from a single source. Whilst Atomos has written contracts in place with some of its key suppliers (some of which have preferred customer arrangements which gives the Company priority in the event of supply disruption), it does not have formal written agreements in place with all of its key suppliers.

5 Risk Factors

The electronics industry is experiencing volatility in the supply chain. This is in part due to high demand for and limited supply of certain key components, which may lead to long lead times for critical components making it difficult for Atomos' to meet its production plans. In addition, from time to time suppliers may discontinue certain parts and components which may require Atomos to find an alternative component or part or even to redesign its products to use an alternative component.

A disruption to supply of these components or the manufacturing of its products could have a material adverse effect on Atomos' ability to generate revenue, or result in increased costs, while the disruption or delays remain in place. If the disruptions were prolonged and another third-party supplier or manufacturer could not be sourced, this could have a material adverse effect on Atomos' ability to meet existing customer demand and to continue to grow the business.

5.1.3 Launch of new products

The development and release of new products, or the adoption of these new products may take longer than expected, may involve additional costs and/or may delay new revenue streams. New third-party technologies could prove more advanced and be developed in less time than Atomos' new products. There is also risk that Atomos' new products may not be well received or adopted by its customers as a result of various reasons including (amongst others) the new products not being well priced when compared to competing products or the new products lacking a strong feature that resonates with customers.

In particular, the Forecast Financial Information set out in Section 4.12 assumes the successful development and launch of the Ninja V and a number of other new products in the FY19 forecast period and the subsequent successful adoption and market penetration of these new products. If for any reason the development and launch of these new products is delayed or these new products are not successfully marketed or adopted by Atomos' customers, then this could cause additional costs and/or delays in the timing for Atomos to recognise revenue and could therefore materially impact Atomos' ability to achieve its forecast results. If significant further expenditure is required, the Company may also be required to raise further funding to develop and launch these or other new products.

Related factors that may impact product development and launch plans and sales growth in relation to new product launches include:

- the timing of new product development is a key factor in sales growth. New technology development carries inherent risks of delay and quality and uncertainty around costs. Collaboration with key distributors and partners regarding technology requirements for these new products and disciplined project management and quality assurance processes mitigate these risks; and
- failure to recruit, hire and train the proper direct and representative sales force to engage with distributors and market products in a timely and effective manner could reduce revenue growth.

5.1.4 Ability to retain or attract key personnel

The nature of Atomos' business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. Further, Atomos' management team consists of individuals, in particular its CEO (Mr. Jeromy Young), CTO (Trevor Elbourne), Global Product Manager (Frankie Liu), Chief Design Officer (Naofumi Yoneda) and certain other senior employees of Atomos and skilled engineers, who have significant knowledge of Atomos' technology and well-established relationships with Atomos' key distributors and suppliers. In particular, Atomos is heavily reliant on its design and engineering teams in Australia and Japan with the mechanical design, engineering and industrial design skills concentrated in a small number of personnel in Japan. The loss of key members of the management team or members of the design and engineering teams, or any delay in their replacement, may adversely affect Atomos' ability to implement its strategies and may also adversely affect Atomos' future financial performance.

Further to this, if Atomos is unable to retain or motivate key personnel, hire qualified personnel, or maintain its corporate culture, Atomos may not be able to successfully execute its business plans. Atomos' performance and future success depends on its continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation, particularly design and engineering.

Competition for qualified employees in Atomos' industry, particularly design and engineering, is intense. In addition, Atomos' compensation arrangements, such as equity award programs, may not always be successful in attracting new employees and retaining and motivating existing employees. Atomos' continued ability to execute on its strategies effectively depends on its ability to attract new employees and to retain and motivate existing employees.

Agreements between Atomos and its Key Executives provide that in the event of a voluntary termination of employment by the Key Executive, such Key Executive must provide Atomos with at least 12 months' (for the CEO) or 6 months' (for other Key Executives) advance written notice. Atomos must also provide 12 months' or 6 months' notice of termination to the CEO and Key Executives respectively or may otherwise elect to make a payment in lieu of that notice.

Further, the Key Executives may not, during their employment or within the 12 month period (for the CEO) or the 6 month period (for other Key Executives) following the end of their employment, compete with Atomos, either directly or indirectly, to solicit any of Atomos' employees to leave their employment, or any consultants, customers, clients, or other entities to terminate their relationship with Atomos, or attempt to solicit, induce, or recruit employees, consultants, customers, or clients of the Group, either for such Key Executive's personal benefit or for that of any other person or entity. However, there is always a risk that restraints such as these may be unenforceable or read down. Further to these restraints, the agreements provide that the CEO and Key Executives (indefinitely) cannot use or disclose Atomos' trade secrets, intellectual property or confidential information, after the termination of their employment.

5.1.5 Competition risk

Atomos competes against other video technology companies. Atomos faces the risk that:

- existing competitors could increase their market share through aggressive sales and marketing campaigns, product research and development or price discounting;
- existing and potential competitors, who may have significantly more resources, develop new or superior products or improve existing products to compete with Atomos;
- Atomos may fail to increase adoption and usage of its products or introduce new products;
- Atomos may fail to anticipate and respond to changing opportunities, technology, or customer requirements as quickly as its competitors;
- Atomos' competitors may enhance their product offering to improve their competitive positioning relative to Atomos;
- new market entrants into the video technology industry could develop products which compete with Atomos' products; and
- customers who purchase Atomos' products today may, as they continue to grow, decide to invest in or develop their own solutions, rather than purchasing them from third parties such as Atomos.

If any of these risks arise, Atomos may compete less effectively and Atomos' market share and ability to secure existing or new business could be reduced, which would have an adverse impact on Atomos' operating and financial performance.

5.1.6 Protection of intellectual property

The value of Atomos' products is dependent on Atomos' ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how, copyrights, patents, trade secrets and trademarks. There is a risk that Atomos may be unable to detect the unauthorised use of its intellectual property rights in all instances. Further, actions Atomos takes to protect its intellectual property may not be adequate or enforceable and therefore may not prevent the misappropriation of its intellectual property and proprietary information. Breach of Atomos' intellectual property may result in the need for Atomos to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions and may ultimately prove unfavourable to Atomos. Atomos' failure to protect its intellectual property rights could have an adverse impact on Atomos' operations and financial performance. In particular:

- Atomos' patents, trademarks, trade secrets, copyrights, and other intellectual property rights are important and valuable assets. Various events outside of Atomos' control pose a threat to its intellectual property rights, as well as to its products and technologies. For example, effective intellectual property protection may not be available or feasible in every country in which Atomos' products and services could be distributed. Also, the efforts Atomos have taken to protect its proprietary rights may not be sufficient or effective.
- Whilst Atomos seeks to register its trademarks and has obtained one patent for its innovations and technology, it largely relies on trade secrets and encryption technology rather than formal legal mechanisms to protect its intellectual property. There is always the possibility, despite Atomos' efforts, that the intellectual property protections the Company implements will be insufficient to protect the Company's intellectual property. In particular, the Company cannot guarantee that its encryption technology will be sufficient to restrict access to the Company's sensitive intellectual property or that employees and others who have had the encryption keys to access to the Company's sensitive intellectual property during the course of their employment or engagement with the Company, do not unlawfully use such sensitive intellectual property either during or after their employments ceases or is terminated. The secrecy of this information could be compromised by outside parties or by employees or others engaged by the Company.
- There is always the possibility that the Company's registered or unregistered intellectual property (including its patent or trade marks) may be deemed invalid or unenforceable. It is also possible Atomos may not be able to protect some of its innovations and technology. Further to this, Atomos may not have adequate patent or copyright protection for certain innovations and technology that later turn out to be important.

5.1.7 Availability of funding

While management is anticipating positive cash flows in 2018, the Company has been loss making in recent years as it has invested in the growth of the business and development of new products and has been reliant on raising funds from investors to fund its operations and product development. Although the Directors consider that Atomos will, on Completion, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. Atomos may need to raise additional funds from time to time to finance ongoing development and growth and meet its other longer-term objectives. The Company may never achieve profitability or sustained profitability. Atomos' ability to raise additional funds will be subject to, amongst other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by Atomos on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both, and may adversely impact Atomos' ability to remain solvent and at some point Atomos may be forced to either dispose of operating assets of close down entirely. Further, if additional funds are raised by way of the issue of further equity securities, this may result in dilution for some or all of the Shareholders.

5.1.8 Breach of third-party intellectual property rights

There is a risk that third parties may allege that Atomos' products use intellectual property derived by them or from their products without their consent or permission. Atomos may be the subject of claims which could result in dispute 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 Atomos' operations, reputation and financial performance.

Atomos is currently the subject to ongoing dispute in relation to a claim by a third party that Atomos is infringing its intellectual property rights. See Section 5.1.9 below for further details.

Atomos may in the future be subject to further intellectual property or other claims, which are costly to defend, could result in significant damage awards, and could limit its ability to use certain technologies in the future. Regardless of the merits of the claims, intellectual property claims are often time consuming, expensive to litigate or settle, and cause significant diversion of management attention. To the extent such intellectual property infringement claims are successful, they may have an adverse effect on Atomos' business, consolidated financial position, results of operations, or cash flows.

5.1.9 Potential dispute with RED

RED.com LLC ("RED") contacted the Company in April 2018 alleging that the recording and/or playback of two of five video codec standards currently implemented by certain Company products infringe four RED patents. RED has offered the Company a licence to rights under those patents with respect to the implementation. The Company denies RED's allegations and the parties have engaged in discussions to attempt to resolve the matter including in respect of the proposed licence. If the parties are unable to resolve the matter, RED may initiate litigation against the Company in an effort to enforce its patent rights. Patent claims or litigation against the Company, regardless of their merits, could, amongst other things:

- be time consuming and expensive to defend, whether or not meritorious;
- force the Company to stop selling these particular products or using certain technologies that infringe the intellectual property rights;
- delay shipments of Company products;
- require the Company to pay damages or settlement fees;
- require the Company to attempt to obtain a license to the relevant patents, which may not be available on reasonable terms or at all;
- force the Company to attempt to redesign the particular products that contain the allegedly infringing technology, which could be expensive or which the Company may be unable to do;
- require the Company to indemnify its customers, suppliers or other third parties for any loss caused by their use of the Company's technology that allegedly infringes the asserted intellectual property rights; or
- divert the attention of the Company's technical and managerial resources.

Any of these potential outcomes could materially adversely impact the Company's financial performance.

5.1.10 Failure to effectively manage growth

Atomos will need to continue to invest in sales and marketing and other systems and processes to support the development of its business if the Company gains significant market share over and above its current short-term expectations. If this is not done in a timely, robust and efficient way to handle projected growth it may negatively impact on Atomos' financial performance.

5 Risk Factors

5.1.11 Third party licence agreements on terms favourable to licensor

Atomos licences intellectual property and technology from third parties for incorporation into its products. Atomos generally enters into licence agreements in relation to these arrangements which are on the licensors' standard terms and conditions which are generally more favourable to the licensor and which generally include obligations for Atomos to indemnify the licensors against third party intellectual property infringement claims. In some instances, Atomos' liability under these indemnities is not capped or limited. The risks associated with these indemnification obligations are that Atomos may be obliged to pay amounts on behalf of its licensors in connection with the defence and settlement of allegations, demands, claims or legal proceedings made or brought be a third party against Atomos which alleges that Atomos' technologies infringe the intellectual property rights (including copyright or patents) of that third party. Atomos may be liable for potentially significant and unquantifiable liability under these indemnification provisions contained in some of these licence agreements which may materially adversely affect Atomos' financial position.

The majority of Atomos' licence agreements are either terminable for convenience by the licensor or are approaching the end of their current terms, after which they continue on a rolling basis and may be terminated for convenience by either party. If a licensor were to terminate a licence agreement and Atomos was unable to find an alternative supplier, or Atomos fails to negotiate satisfactory pricing terms, Atomos' operations and results may be adversely affected.

See Section 9 for further details about the material licensing agreements that Atomos has with third party suppliers including Apple Inc.

5.1.12 Failure to realise benefits from research and development costs

Developing technology is expensive and the investment in the development of these product offerings often involves an extended period of time to achieve a return on investment. An important element of Atomos' business strategy is to continue to make investments in innovation and related product opportunities. Atomos believes that it must continue to dedicate resources to Atomos' innovation efforts to develop technology product offerings in order to maintain Atomos' competitive position. Atomos may not, however, receive significant revenues from these investments for several years, or may not realise such benefits at all.

5.1.13 Country/region specific risks in new and/or unfamiliar markets

Atomos has operations in a number of overseas jurisdictions and is exposed to a range of different legal and regulatory regimes, including in new jurisdictions in which Atomos is expanding or plans to expand its operations. As Atomos expands its presence in new international jurisdictions, it is subject to the risks associated with doing business in regions that may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks, including:

- unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- less sophisticated technology standards;
- difficulties engaging local resources; and
- potential for political upheaval or civil unrest.

As Atomos increases its operations in existing regions or enters newer regions there is a risk that Atomos may fail to understand the laws, regulations and business customs of those regions. This gives rise to risks relating 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 Atomos may operate. This could interrupt or adversely affect parts of Atomos' business and may have an adverse effect on Atomos' operations and financial performance.

The introduction of new or increased trading tariffs, import or export duties or other trade restrictions may affect Atomos' competitiveness in, and limit its access to, particular markets. The potential imposition of new tariffs by the United States government to the importation of goods from China into the United States could result in increased costs for Atomos to import its assembled products from its product assembly partner in China (i.e. Kenling).

5.1.14 Quality of service offering

The ongoing success of Atomos' business is dependent on the perceived reputation of Atomos' product and service offerings. Reputational damage could arise due to a number of circumstances, including product defects, quality issues due to failure in manufacturing quality control or failure to comply with legislation.

5.1.15 Failure to attract new customers

The success of Atomos' business also relies on its ability to attract new business from existing customers and attract new customers.

The capacity to attract new customers and attract new business from existing customers will be dependent on many factors including the capability, cost-effectiveness, customer support and value compared to competing products. If customers do not continue to use Atomos' products and increase their usage over time, and if new customers do not choose to use Atomos' products, the growth in Atomos' revenue may slow, or Atomos' revenue may decline, which will have an adverse impact on Atomos' operating and financial performance.

5.2 General risks of an investment in Atomos

5.2.1 Foreign exchange risk

The proceeds of the Offer will be received in Australian Dollars, while the Company incurs a significant proportion of its costs in foreign currency, primarily US Dollars and Euro. Atomos is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the US Dollar/Euro: Australian Dollar exchange rates between the closing of the Offer and to such time as proceeds are exchanged for US Dollars and Euro.

Over 90% of revenue is transacted in USD or EUR, and over 81% of the cost of goods sold and operating costs of the Company are forecast in foreign currencies. As such, the Company's reported earnings as reported in AUD are inherently subject to actual translation rates that may fluctuate relative to forecast assumptions.

5.2.2 Price of Shares

Once Atomos becomes a publicly listed company on the ASX, Atomos will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in Atomos' Share price that are not explained by Atomos' 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 the Shares will increase following the quotation on the ASX, even if Atomos' sales and earnings increase.

Some of the factors which may adversely impact the price of the Shares include, but are not limited to, the number of potential buyers or sellers of Shares on the ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which Atomos operates and general operational and business risks.

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

5.2.3 Liquidity risk

There has been no public market in the Shares prior to the Offer. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will arise or that the price of the Shares will increase. There may be relatively few prospective buyers or sellers of the Shares on the ASX at any given time.

In connection with the Offer, the Company will enter into voluntary escrow arrangements with certain Existing Shareholders. Accordingly, at completion of the Offer, approximately up to 80% of the Shares on issue will not be able to be traded for a period after listing (see Section 10.9). Given the number of Shares restricted from trading, there will only be liquidity with respect to approximately up to 20% of the Shares on issue at **Completion** of the Offer until such time as applicable escrow periods end. The absence of any sale of Shares by the escrowed shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that, on a disposal, Shareholders may receive a market price for their Shares that is less than the price that they paid under the Offer.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on the ASX in the form of Shares. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The interests of the Existing Shareholders may be different from the interests of investors who acquire Shares in the Offer.

5.2.4 Risk of Shareholder dilution

Atomos may in the future elect to issue Shares or engage in capital raisings to fund ongoing working capital requirements of Atomos or acquisitions that Atomos may decide to make, although none are contemplated in the short term. While Atomos will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.

5.2.5 General economic conditions

The general economic climate in which Atomos operates may experience changes, which adversely affect Atomos' financial performance. Factors that may influence the general economic climate include but are not limited to:

- changes in Government policies, taxation and other laws;
- future demand for video technology, software and products;
- the strength of the equity and share markets in Australia and throughout the world;
- changes in investor sentiment toward particular market sectors;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in regions in which the Group operates;
- financial failure or default by an entity with which Atomos may become involved in a contractual relationship; and
- natural disasters, social upheaval or war.

5.2.6 Inability to pay dividends or make other distributions

The ability for future dividends or other distributions to be paid by Atomos will be contingent on its ability to generate positive cash flows.

There is no guarantee that dividends will be paid on Shares in the future, as this is a matter to be determined by the Board in its discretion and the Board's decision will have regard to, amongst other things, the financial performance and position of Atomos, relative to its capital expenditure and other liabilities.

Moreover, to the extent Atomos pays any dividends, Atomos may not have sufficient franking credits in the future to frank dividends or sufficient conduit foreign income in the future to declare an unfranked dividend (or the unfranked portion of a partially franked dividend) to be conduit foreign income. Alternatively, the franking system and/or the conduit foreign income system may be subject to review or reform.

The extent to which a dividend can be franked will depend on Atomos' franking account balance (which is expected to be $0.6m at Completion of the Offer) and its level of distributable profits. Atomos' franking account balance is contingent on it making Australian taxable profits and will depend on the amount of Australian income tax paid by Atomos on those Australian taxable profits. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances.

The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on Atomos' conduit foreign income balance (which will be nil at Completion of the Offer) and its level of distributable profits. Atomos' conduit foreign income balance will depend, among other things, on the structure of the Atomos' foreign operations and the level of non-Australian income tax paid by Atomos on those operations.

The value and/or availability of franking credits and conduit foreign income 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. No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

5.2.7 Taxation law and its application (including changes)

An investment in Shares involves taxation and duty considerations which differ for each Shareholder dependent on their individual financial affairs. Each prospective Shareholder is encouraged to seek independent financial advice about the consequences of acquiring Shares, pursuant to the Offer, from a taxation and duty viewpoint and generally.

The application of and changes in relevant taxation law (including income tax, goods and services taxes (or equivalent), customs duties, and stamp duties), or changes in the way those taxation or duty laws are interpreted, will or may impact the taxation or duty liabilities of the Company and the Group or the taxation or duty treatment of a Shareholder's investment. An interpretation or application of taxation or duty laws or regulations by a relevant tax or revenue authority that is contrary to the Company's view of those laws may increase the amount of taxation or duty paid or payable by the Company and the Group.

There is a risk that both the level and basis of taxation or duty may change. Any change to the current level and basis of taxation or duty (in Australia and other markets in which the Company and the Group currently operate and new markets the Company and the Group may enter in the future) may increase the amount of taxation or duty paid or payable, may impact Shareholder returns and could also have an adverse impact on the level of dividend franking/conduit foreign income and resulting Shareholder returns.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation or duty consequences of subscribing for Shares under this Prospectus.

5.2.8 Australian Accounting Standards

Australian Accounting Standards (AAS) are set by the Australian Accounting Standards Board (AASB) and are outside Atomos' control and the control of its Directors. The AASB has recently introduced new or refined AAS in relation to revenue and financial instruments which will become effective for the FY2019 period presented in this Prospectus. These new AAS are not anticipated to materially impact Atomos's statement of profit or loss and other comprehensive income or statement of financial position. A new standard in relation to leases will become effective for Atomos' reporting period ending 30 June 2020 and will likely affect the future presentation of Atomos' statement of profit or loss and other comprehensive income, and statement of financial position. The likely impact of adoption of the Lease standard has not yet been quantified by Atomos. There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position items may be revised or updated. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Atomos' consolidated financial statements.

5.2.9 Government and regulatory factors

Laws and regulations may be adopted with respect to Atomos' products in relation to issues such as user privacy, intellectual property, securities regulation, information security and the content and quality of products and services, which could increase costs or limit Atomos' proposed scope of activity.

5.2.10 Litigation risk

In the ordinary course of business, Atomos may be involved in litigation disputes from time to time (in addition to the RED dispute Atomos is currently involved in as described in Section 5.1.9). Litigation disputes brought by third parties including, but not limited to customers, suppliers, business partners, employees and government bodies may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of Atomos' insurance. Such litigation could negatively impact the industry standing of Atomos, cause Atomos to incur unforeseen expenses, occupy a significant amount of management's time and attention and could negatively affect Atomos' business operations and financial position.

As at the date of this Prospectus, Atomos is involved in an ongoing dispute with RED.com, LLC which is outlined at Section 5.1.9.

5.2.11 Force majeure events

Events may occur within or outside Australia that could impact upon the Australian economy, Atomos and 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 can have an adverse effect on the demand for Atomos' products and its ability to conduct business. Atomos only has a limited ability to insure against some of these risks.

5.3 Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website or any other website referred to in this Prospectus is incorporated in this Prospectus by reference.

6 Board, Management and Governance

6 Board, Management and Governance

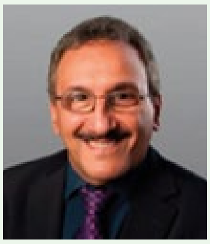
6.1 Board of Directors

The Board comprises four members; one Executive Director and three Non-Executive Directors. The Board is composed of experienced executives, with a broad and diverse range of business experience including financial, technology development and technology commercialisation experience.

6.2 Experience and background

A biography of each of the Directors is set out below.

DIRECTOR	EXPERIENCE
	**Chris Tait** *Chairman of the Board and Non-Executive Director* *Not Independent* Chris has over 25 years' experience advising both local and multinational companies. Commencing his career with Deloitte's London office where he became a director, Chris subsequently became the head of Strategy and Acquisitions for WHSmith PLC, before moving to Melbourne to become the regional CFO for WH Smith Asia Pacific. Chris then became one of the founders of Henslow, the Corporate Adviser to the Company. Chris's skills focus on general strategic advice, mergers and acquisitions, private capital raises and transaction structuring. Chris is a co-founding director of Henslow and chairman of Atomos and Henslow investee companies, Neo Products Pty Ltd and Credo Pty Ltd. Chris holds a BSc in Economics and Accountancy from City, University of London and is qualified as a chartered accountant from the Institute of Chartered Accountants in England & Wales. Chris joined the Board of Atomos in September 2017.
	**Jeromy Young** *Chief Executive Offer and Executive Director* *Not Independent* Jeromy has over 20 years of technology and management experience. Jeromy commenced his career at Canopus (GV) Japan, where he became the Business Development Director, growing sales from $5 million to $60 million in his four years at the company. Jeromy then successfully transitioned into a global BDM role at Blackmagic Design Pty Ltd. During his time at Blackmagic, Jeromy helped grow sales of Blackmagic products fr om $7 million to $30 million in two years. Jeromy founded Atomos in 2010 and has been the Managing Director and CEO of the Company since incorporation. Jeromy holds a Materials Engineering, Ceramics & Manufacturing degree from the University of Wollongong.

DIRECTOR	EXPERIENCE
	**Neil Chatfield** *Independent Non-Executive Director* Neil Chatfield is a well-established executive and non-executive director with extensive experience in company management, financial management, capital markets, mergers and acquisitions and risk management. Neil has previously occupied the position of Chairman of Virgin Australia and is a former Executive Director and CFO for Toll Holdings, a position that he held for over 10 years to 2008. In addition to his role as Non-Executive Director of the Company, Neil is currently a Non-Executive Director and Chairman of Seek Ltd (ASX top 100 company) and Costa Group. Neil is also a Non-Executive Director of Transurban Group and Aristocrat Leisure Ltd. Neil holds a Master of Business (Finance and Accounting), is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors. Neil joined the Board of Atomos in September 2017.
	**Sir Hossein Yassaie** *Independent Non-Executive Director* Sir Hossein Yassaie is a recognised figure on the world technology stage with over 35 years' experience in specialised research and development and semiconductors. Previously, Sir Hossein was the founder and CEO of Imagination Technologies Plc, a technology company focusing on semiconductor and related intellectual property licencing, for 18 years. In his time at Imagination Technologies, Sir Hossein grew the company from £15 million to over £1 billion. Sir Hossein received a knighthood at the 2013 New Year Honours ceremony for services to United Kingdom technology. In addition to his role as Non-Executive Director of the Company, Sir Hossein is on the board of directors for a number of technology companies, including Ultrahaptics, Uniphy Ltd, Pure International Limited and mindtrace.ai. Sir Hossein holds a Bachelor of Science (Electronics & Electrical Engineering) degree and a PhD in Electronics and communication from the University of Birmingham. Sir Hossein joined the Board of Atomos in September 2016.

The Company has assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles and concluded that Neil Chatfield and Sir Hossein Yassaie are independent directors. Jeromy Young is not independent due to his role as CEO of the Company and Chris Tait is not considered independent due to his previous executive role with the Company and his relationship with Henslow, the Corporate Adviser to the Company and one of the Joint Lead Managers to the Offer.

Change to the Board

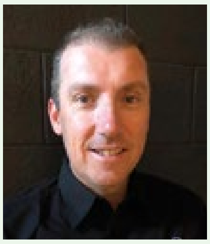
Neil Chatfield has advised the Board that as a consequence of his nomination as Chairman of Aristocrat Leisure from February 2019, he plans to resign as a Director of Atomos at the beginning of February. Neil will continue to assist the Board in an advisory capacity. The Board is in the advanced stages of its selection process for a director with ASX listed company experience to replace Neil on the Board in addition to recruiting an additional director to strengthen the industry experience on the Board.

Save as set out above, each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

6 Board, Management and Governance

6.3 Executive team

The Company has a highly experienced executive team as set out below:

EXECUTIVE	EXPERIENCE
	**Jeromy Young** *Chief Executive Officer* See section 6.2 above
	**James Cody** *Chief Financial Officer* James has over 20 years' experience in CFO and senior financial and accounting roles with extensive experience in the retail sector. Prior to joining Atomos, he was Chief Financial Officer and Principal at Henslow where he was jointly responsible for client transactions and Henslow's financial reporting and management obligations as an AFSL holder. Prior to that James held positions as Chief Financial Officer at Funtastic, a publicly listed Australian supplier of children's products with revenue of over $200m, Group Finance Director at RED Group Retail (formerly A&R Whitcoulls Group), a private equity backed retail group with over 400 stores and Financial Controller for WH Smith (ASPAC). James is a qualified chartered accountant.
	**Trevor Elbourne** *Chief Technology Officer* Trevor has over 23 years' experience as a hardware engineer with particular focus on IC and ASIC design. Since joining Atomos as a Senior Hardware Engineer, Trevor advanced to become the Director of Systems Engineering before being appointed CTO. Prior to joining Atomos in 2012, Trevor worked as an Engineering and Hardware Manager at Canon, the world's leading provider of cameras and other electronic companies. Trevor holds a Bachelor of Engineering (Electrical and Electronics Engineering) from the University of New South Wales.

EXECUTIVE	EXPERIENCE
	**Naofumi Yoneda** *Chief Design Officer* Naofumi has over 20 years' industrial design experience in consumer electronics, professional cameras and broadcast equipment. Prior to joining Atomos in 2015, Naofumi was the acting Chief Art Director at Sony Corporation designing products for the professional solution business division. Naofumi has also held positions as Art Director in a number of division companies at Sony designing consumer products, including cameras, home audio, TV and laptop computers. Naofumi holds a Bachelor of Fine Arts from Rhode Island School of Design.
	**Frankie Liu** *Global Production Manager* Frankie has over 23 years' experience working in the electronics industry, with a focus in the production and quality control areas. Frankie currently leads the Company's production operation based in China. Before joining Atomos in 2012, Frankie was General Manager for an electronics manufacturer based in China. Frankie has also worked at Mobile Tech and Seiko Instruments in senior positions where he was responsible for overseeing production and process control. Frankie holds a Business Management Degree from The Hong Kong Management Association.
	**Stephan Kexel** *Global Sales Director* Stephan has over 25 years' experience in business development and sales, primarily focused in the video and electronics industry. Stephan is currently the Head of Global Sales for the Company. Before joining Atomos in 2012, Stephan was a Senior Manager of sales for Grass Valley, a provider of content and media technology. Stephan also held the position of General Manager at Canopus GmbH, a manufacturer of video editing cards and software. Stephan is a State-certified Engineer, accredited by BFW Birkenfeld.
	**Rob Song** *President Asia Pacific* Co-founder, over 20 years of experience in broadcast, media and professional video services. Extensive business development experience, previously holding senior positions with responsibility for developing and expanding APAC operations at Canopus, Thompson, Grass Valley. Robert holds a BSc in Applied Mathematics from Beijing University of Technology and an MBA from Peking University.

6 Board, Management and Governance

6.4 Directors' remuneration

6.4.1 Non-executive director remuneration

The Company has entered into an appointment letter with each of its Non-Executive Directors. The following table sets out the Non-executive Directors' annual remuneration payable for the year ending 30 June 2019:

Director	Director's fees	Options
Chris Tait	$40,000	257,732
Neil Chatfield	$40,000	257,732
Hossein Yassaie	$40,000	257,732

The Options will be issued shortly prior to Listing under the Equity Incentive Plan on the terms summarised in Section 10.7. No additional fees are payable to Directors for chairing Board committees.

Additional fees will be payable to the extent that Atomos appoints additional directors to the Board as noted in Section 6.2.

The Company obtained shareholder approval at its last Annual General Meeting of the maximum aggregate annual cash fee pool from which non-executive directors may be paid for their services as members of the Board, exclusive of expense reimbursement and equity grants, being $750,000. Any increase to the aggregate amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate.

6.4.2 Executive Director remuneration

Please see Section 6.7.1 for a summary of the remuneration and benefits payable by the Company to its executive director, Jeromy Young.

6.5 Director disclosures

No Director of the Company 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 of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares.

Save as set out below, 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.

6.6 Interests of Directors

Other than as set out below or elsewhere in the Prospectus, no Director or proposed director:

- has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

6.6.1 Directors' interests in Shares

The Directors are not required to hold any Shares under Atomos' Constitution. Details of the relevant interests of the Directors in Securities are set out in the table below.

Director (including associates)	Shares as at the Prospectus Date	Options held as at the Prospectus Date	Percentage holding of Shares at the Prospectus Date (undiluted)[1]	Percentage holding of Shares at the Prospectus Date (fully diluted)[2]	Shares after Completion of the Offer[1]	Options / Performance Rights held as of Completion of the Offer[3]	Percentage holding of Shares immediately following Completion (undiluted)[1]	Percentage holding of Shares immediately following Completion (diluted)[3]
Chris Tait	926,729	153,246	0.7%	0.8%	926,729	282,112	0.6%	0.8%
Jeromy Young	17,731,333	432,955	12.9%	12.9%	17,731,333	1,134,253	11.7%	11.8%
Neil Chatfield	1,050,584	612,990	0.8%	1.2%	1,050,584	741,856	0.7%	1.1%
Sir Hossein Yassaie	1,697,766	612,990	1.2%	1.6%	1,697,766	741,856	1.1%	1.5%

1. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares immediately prior to the Prospectus Date but that no options have been exercised.
2. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares and all Options were exercised in full immediately prior to the Prospectus Date.
3. Assumes 100% of the options issued as at the Prospectus date vests. Assumes 50% of the performance rights under the STI plan vests. Assumes 50% of the total options under the LTI plan vests. Further commentary on the LTI plan is provided in Section 6.8.2.2.

6.6.2 Indemnification of Directors and Officers

The Company has entered into deeds of indemnity, access and insurance with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely of in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

6.6.3 Agreements with Henslow

As noted above, Chris Tait is a shareholder and director of Henslow.

Henslow entered into an agreement on 31 May 2018 with the Company to act as Corporate Adviser to the Company in respect of the pre-IPO capital raising and the IPO.

Henslow is currently retained as the Corporate Advisor to the Company and is paid a retainer of $15,000 per month until the completion of the IPO.

In addition, Henslow is one of the Joint Lead Managers to the Offer and will receive the fees set out in Section 9.7 for its role in lead managing and underwriting the Offer.

6.6.4 Related party interests

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest:

- the compensation arrangements with Directors and executive officers, which are described in this Section 6.6; and
- the indemnification arrangements with the Directors which are described in this Section 6.6.

6.6.5 Former directors' interests

Director (including associates)	Shares as at the Prospectus Date	Options held as at the Prospectus Date	Percentage holding of Shares at the Prospectus Date (undiluted)[1]	Percentage holding of Shares at the Prospectus Date (fully diluted)[2]	Shares after Completion of the Offer[1]	Options / Performance Rights held as of Completion of the Offer[3]	Percentage holding of Shares immediately following Completion (undiluted)[1]	Percentage holding of Shares immediately following Completion (diluted)[3]
Robert Song	13,259,593	69,160	9.7%	9.5%	13,259,593	122,244	8.7%	8.4%
Ian Overliese	3,279,600	–	2.4%	2.3%	3,279,600	–	2.2%	2.1%

1. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares immediately prior to the Prospectus Date but that no options have been exercised.
2. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares and all Options were exercised in full immediately prior to the Prospectus Date.
3. Assumes 100% of the options issued as at the Prospectus date vests. Assumes 50% of the performance rights under the STI plan vests. Assumes 50% of the total options under the LTI plan vests. Further commentary on the LTI plan is provided in Section 6.8.2.2.

6.6.6 Policy for approval of related party transactions

The Company's Audit and Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's Shares, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Management Committee or its Chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Management Committee or the Chairperson determines in good faith to be necessary.

Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules.

6.7 Executive remuneration

The Company has established a number of incentive arrangements to enable the attraction, motivation and retention of management and employees of Atomos.

For the executive team, the remuneration packages consist of:

- Fixed remuneration (see section 6.7.1);
- Short Term Equity Incentives (as summarised in Section 6.8.2.1); and
- Long Term Equity Incentives (as summarised in Section 6.8.2.2).

6.7.1 Executive remuneration and employment agreements

Chief Executive Officer

Jeromy Young is employed by the Company in the position of Managing Director and Chief Executive Officer. Mr. Young receives a fixed remuneration package of A$383,250 including mandatory superannuation contributions by the Company. Mr Young is eligible to receive other employment benefits in connection with the performance of his duties under his employment agreement.

Mr. Young has participated in the Company's current Employee Share and Option Plan (as summarised in Section 6.8.1) and may exercise his vested options under the plan. Mr. Young is also eligible to participate in the Company's new Atomos Equity Incentive Plan (as summarised in Section 6.8.2). The Board has resolved to grant Mr Young 1,082,474 Options and 320,122 Performance Rights under the Equity Incentive Plan at Listing on the terms summarised in Section 10.7 & 10.8.

Under the terms of Mr. Young's employment contract, the Company has the right to terminate Mr. Young's employment by giving 12 months' written notice. Mr. Young can also resign from his employment on 6 months' written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Young or to place Mr. Young on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Young will be subject to non-competition, non-solicitation of clients, and non-poaching of employees restrictions within Australia and for a maximum period of 12 months.

Mr. Young's employment contract acknowledges that the Company owns all right, title and interest in or derived from the intellectual property rights developed or created by Mr. Young in connection with his employment with Atomos. Intellectual property rights include, among other things, all technology, systems, specifications, patents, trademarks, trade secrets, copyright works, inventions, client and supplier lists, computer programs, software and similar industrial or intellectual property rights.

Chief Financial Officer

James Cody is employed by the Company in the position of Chief Financial Officer. Mr. Cody receives a fixed remuneration package of A$284,700 including mandatory superannuation contributions by the Company. Mr Cody is eligible to receive other employment benefits in connection with the performance of his duties under his employment agreement.

Mr. Cody has participated in the Company's current Employee Share and Option Plan (as summarised in section 6.8.1) and may exercise his vested options under the plan. Mr. Cody is also eligible to participate in the Company's new Atomos Equity Incentive Plan (as summarised in section 6.8.2). The Board has resolved to grant Mr Cody 804,124 Options and 237,805 Performance Rights under the Equity Incentive Plan at Listing on the terms summarised in Section 10.7 & 10.8.

Under the terms of Mr. Cody's employment contract, the Company has the right to terminate Mr. Cody's employment by giving 6 months' written notice. Mr. Cody can also resign from his employment on 3 months' written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Cody or to place Mr. Cody on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Cody will be subject to non-competition, non-solicitation of clients, and non-poaching of employees restrictions within Australia and for a maximum period of 6 months.

Mr. Cody's employment contract acknowledges that the Company owns all right, title and interest in or derived from the intellectual property rights developed or created by Mr. Cody in connection with his employment with Atomos. Intellectual property rights include, among other things, all technology, systems, specifications, patents, trademarks, trade secrets, copyright works, inventions, client and supplier lists, computer programs, software and similar industrial or intellectual property rights.

Chief Technology Officer

Trevor Elbourne is employed by the Company in the position of Chief Technology Officer. Mr. Elbourne receives a fixed remuneration package A$284,700 including mandatory superannuation contributions by the Company.

Mr. Elbourne has participated in the Company's current Employee Share and Option Plan and may exercise his vested options under the plan. Mr. Elbourne is also eligible to participate in the Company's new Atomos Equity Incentive Plan. The Board has resolved to grant Mr Elbourne 804,124 Options and 237,805 Performance Rights under the New Equity Incentive Plan at Listing on the terms summarised in Section 10.7 & 10.8.

Under the terms of Mr. Elbourne's employment contract, the Company has the right to terminate Mr. Elbourne's employment by giving 6 months' written notice. Mr. Elbourne can also resign from his employment on 3 months' written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Elbourne or to place Mr. Elbourne on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Elbourne will be subject to non-competition, non-solicitation of clients, and non-poaching of employees restrictions within Australia and for a maximum period of 6 months.

Mr. Elbourne's employment contract acknowledges that the Company owns all right, title and interest in or derived from the intellectual property rights developed or created by Mr. Elbourne in connection with his employment with Atomos. Intellectual property rights include, among other things, all technology, systems, specifications, patents, trademarks, trade secrets, copyright works, inventions, client and supplier lists, computer programs, software and similar industrial or intellectual property rights.

Other senior management

All other senior management are employed under written employment agreements with Atomos or an applicable subsidiary. The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the Company's Atomos Equity Incentive Plan (as summarised in sections 6.8.2);
- express provisions protecting the Company's confidential information and intellectual property;
- notice provision of 6 months where the Company gives notice or 3 months where the employee gives notice; and
- post-termination restraints for a period of between 3 and 6 months.

6.8 Equity Incentive Plans

6.8.1 Atomos Employee Share and Option Plan

The Company's current Employee Share and Option Plan (**Existing Plan**) provides for the grant of share options and rights to eligible directors, employees and consultants of the Company as determined by the Board.

As at Completion, the Company will have on issue 3,545,442 Options held by eligible participants under the Existing Plan. Details of these options are included in section 10.6.

Going forward, the Company intends to use the new Equity Incentive Plan (described in section 6.8.2 below) in place of this Existing Plan as a means to reward, retain and motivate its Directors, senior management, employees and contractors.

The Existing Plan provides that where the Company is listed on the ASX, the Board has an absolute discretion to determine the manner in which all awards granted under the Existing Plan be dealt with. The Board has decided that the Existing Options granted under the Existing Plan will vest in full on Listing.

6.8.2 New Atomos Equity Incentive Plan

Plan Rules and background

The Company has recently adopted an employee incentive plan known as the Atomos Equity Incentive Plan (**Equity Incentive Plan**), to assist in the reward, retention and motivation of the Company's Directors, senior management, employees and contractors.

Under the rules of the Equity Incentive Plan, the Board has discretion to offer any of the following awards:

- options to acquire Shares;
- performance rights to acquire Shares; and/or
- Shares, including Shares to be acquired under a limited recourse loan funded arrangement.

In each case subject to vesting conditions and/or performance hurdles as determined by the Board (collectively, the **Awards**).

The terms and conditions of the Equity Incentive Plan are set out in comprehensive rules. A summary of the rules of the Equity Incentive Plan is set out below:

- The Equity Incentive Plan is open to Directors, senior management and employees and other persons providing services to the Company or its related bodies corporate, as determined by the Board. Participation is voluntary.
- The Board may determine the type and number of Awards to be issued under the Equity Incentive Plan to each participant and other terms of issue of the Awards, including but not limited to:
  - the conditions and/or performance hurdles that must be met by a participant in order for an Award to vest (if any);
  - the fee to be paid by a participant on the grant of Awards (if any);
  - the exercise price of any option granted to a participant;
  - the period during which a vested option can be exercised; and
  - any forfeiture conditions or disposal restrictions applying to the Awards and any Shares that a participant receives upon exercise of their options or vesting of performance rights.
- The Board may, in its discretion, also determine that the Company will issue limited recourse loans to participants to use for the purchase of Shares as part of a Share Award under the Equity Incentive Plan.
- When any conditions and/or performance hurdles have been satisfied, participants will receive fully vested Shares or their options/performance rights will become vested and will be exercisable into Shares (as applicable).
- Each vested option and performance right enables the participant to be issued or to be transferred one Share upon exercise or vesting (as applicable), subject to the rules governing the Equity Incentive Plan and the terms of any particular offer.
- Participants holding options or performance rights are not permitted to participate in new issues of Securities by the Company but adjustments may be made to the number of Shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the Equity Incentive Plan and the ASX Listing Rules.
- The Equity Incentive Plan limits the number of Awards that the Company may grant without Shareholder approval, such that the aggregate of all Awards on issue (assuming all options and performance rights were exercised) do not at any time exceed in aggregate 10% of the total issued capital of the Company at the date of any proposed new Awards.
- The Board may delegate management and administration of the Equity Incentive Plan, together with any of their powers or discretions under the Equity Incentive Plan, to a committee of the Board or to any one or more persons selected by them as the Board thinks fit.

Awards may be granted to the Company's Directors, senior management and employees residing in Australia, the United States of America, the United Kingdom, Germany and Japan, or other jurisdictions, as approved by the Board from to time, under the Equity Incentive Plan subject to any local law and local tax requirements.

The Company is offering 1,995,955 performance rights to eligible employees under the Equity Incentive Plan, and 6,185,865 options to Directors, senior executives, employees and contractors under the Equity Incentive Plan pursuant to this Prospectus to be issued shortly prior to Listing.

6.8.2.1 Short Term Incentives

Under the Equity Incentive Plan, the Board has approved an equity and cash based short-term incentive plan for eligible employees of the Group designed to reward eligible employees for their efforts toward the accomplishment of the Company's goals during the plan year.

The Board has determined to make initial grants of short-term incentives in the form of Performance Rights and cash bonuses to selected employees of the Group shortly prior to Listing. Performance Rights are an entitlement to receive a Share for no consideration upon satisfaction of applicable vesting conditions and performance hurdles.

At Completion, the Company will have 1,995,955 Performance Rights on issue allocated to employees of the Group on the terms set out in Section 10.8.

The Board has also determined to grant rights to receive cash bonuses to eligible employees of equal value to the Performance Rights granted to the relevant employee that will be paid upon the satisfaction of the same vesting conditions and performance hurdles applicable to Performance Rights.

6.8.2.2 Long Term Incentives

In addition, under the Equity Incentive Plan, the Board has determined to make initial grants of long term incentives in the form of New Options to selected Directors, key management and other key employees of the Group shortly prior to Listing.

The New Options will vest three years from the date of issue of the New Options, subject to achievement of specified earnings per share or share price hurdles over the three year period.

At Completion, the Company will have 6,185,865 New Options on issue on the terms set out in Section 10.7.

6.9 Corporate Governance

The Board is committed to best practice corporate governance and compliance arrangements for the Company to the extent appropriate given the Company's size and circumstances. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations for Australian listed entities (**ASX Corporate Governance Principles**) to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Corporate Governance Principles are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Corporate Governance Principles in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and provide reasons for not following it. Section 6.10 sets out a brief summary of the approach currently adopted by the Company in relation to the ASX Corporate Governance Principles.

More broadly, this section summarises the key aspects of the Company's corporate governance framework.

6.9.1 Board appointment and composition

Composition of the Board

As at the Prospectus Date, the Company has four Directors serving on the Board, and will continue to have the same four Directors at Listing. Detailed biographies of these Directors are provided in section 6.2.

Independence of the Board

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisors as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Company considers that a Director is an independent Director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

Board Charter

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at www.atomos.com. The Company will also send you a copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

6.9.2 Board's role in risk oversight

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

6.9.3 Board Committees

As set out below, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the committee charter (which has been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company. A copy of the charter for the above committees is available on the Company's website at www.atomos.com. The Company will also send you a free paper copy of its charter should you request a copy during the Offer Period.

Committee	Overview	Members
Audit and Risk Management Committee	Responsible for monitoring and advising the Board on the Company's audit and regulatory compliance policies and procedures. Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor. Monitors and develops the Company's risk strategy, including assessing the effectiveness of the Company's internal controls and risk management framework and making recommendations for improvement.	Hossein Yassaie (Chair) Chris Tait Neil Chatfield
Remuneration and Nomination Committee	Establishes, amends, reviews and approves the remuneration and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management. The Remuneration Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation.	Neil Chatfield (Chair) Chris Tait Hossein Yassaie

6.9.4 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and is available on the Company's website at www.atomos.com.

- **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees;
- **Continuous Disclosure Policy** – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations;
- **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business;
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws;
- **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders; and
- **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity amongst its board, management and employees.
- **Anti-Bribery and Corruption Policy** – This policy describes the Company's zero tolerance policy towards bribery and corruption. The policy sets out practices that constitute bribery and corruption and is designed to assist the Company, subsidiaries, Board and all employees avoid committing acts of bribery or corruption.

The Company will also send you a free paper copy of any of the above policies should you request a copy during the Offer Period.

6.10 ASX Corporate Governance Principles

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities are defined in the Board Charter.

The Company has also established a clear delineation between the Chairman's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The Remuneration Committee evaluates the performance of senior executives.

Principle 2 – Structure the Board to add value

Whilst the Board is comprised of three Non-Executive Directors and one Executive Director and the role of Chairman and Chief Executive Officer are exercised by two separate individuals, the majority of the Company's Board is not comprised of independent Directors and the Chairman is not an independent Director, as recommended by ASX Principle 2. The Board, having regard to the Company's stage of development and collective experience and expertise of the Directors, believes the size, composition and skills of the Board are appropriate for the Company's business and circumstances, and are in the best interest of Shareholders as a whole.

The Company's Remuneration and Nomination Committee is responsible for regularly reviewing the size, composition and skills of the Board to ensure that the Board is able to discharge its duties and responsibilities effectively, and to identify any gaps in skills or experience of the Board.

The Board Charter provides for an annual self-assessment of the Board's performance to be provided to the Remuneration and Nomination Committee.

Principle 3 – Promote ethical and responsible decision making

The Company has adopted a Code of Conduct, as well as a Securities Trading Policy, a Diversity Policy and a policy and procedure for related party transactions.

Principle 4 – Safeguard integrity in financial reporting

The Company has established an Audit and Risk Management Committee to oversee the management of financial and internal risks and the Company's risk strategy and to assess the effectiveness of the Company's risk management framework. The Audit and Risk Management Committee is comprised of three Non-Executive Directors with a majority of these Directors being independent. Further, the Chair of the Audit and Risk Management Committee is an independent Director and is not the Chairman of the Board consistent with the ASX Corporate Governance Principles. The Audit and Risk Management Committee is governed by a charter which is available on the Company's website at www.atomos.com.

Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

Principle 6 – Respect the rights of Shareholders

The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

Principle 7 – Recognise and manage risk

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. In addition, the Board has established two standing committees to provide focused support in key areas. Under this policy, the Board is responsible for overseeing and managing the risk management program. The Board has conferred to the Audit and Risk Management Committee the responsibility to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee as set out in Section 6.9.3. The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

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The Directors
Atomos Limited
29 Nott Street
Port Melbourne VIC 3207

30 November 2018

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Atomos Limited (the **Company**) for inclusion in the Prospectus to be issued by the Company and controlled entities in respect of the initial public offering of fully paid ordinary shares in the Company (the **Offer**) and subsequent listing on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the statutory historical consolidated statements of profit or loss and other comprehensive income and statutory historical consolidated net cash flows for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018; and
- the statutory historical consolidated statement of financial position as at 30 June 2018,

as set out in tables 3, 10 and 6 of Section 4 of the Prospectus (together the **Statutory Historical Financial Information**).

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 adopted accounting policies of the Company.

The Statutory Historical Financial Information has been extracted from the financial reports of Atomos Limited (formerly Tetsuwan Pty Ltd) and controlled entities for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018, which were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued qualified audit opinions on the financial reports for the financial years ended 30 June 2016 and 30 June 2017 as a physical count of inventory was not conducted by the Company at 30 June 2015 and 30 June 2016. Deloitte Touche Tohmatsu issued an unmodified audit opinion

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on the financial report for the financial year ended 30 June 2018 with an emphasis of matter with regard to the Company's going concern assumption subject to completion of the Offer.

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.

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the pro forma historical consolidated statements of profit or loss and other comprehensive income and pro forma historical consolidated statements of cash flows for the financial years ended for the years ended 30 June 2016, 30 June 2017 and 30 June 2018; and
- the pro forma historical consolidated statement of financial position as at 30 June 2018,

as set out in tables 1, 9 and 6 of Section 4 of the Prospectus (together the **Pro forma Historical Financial Information**).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of pro forma adjustments described in section 4.2 of the Prospectus (the Pro forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.7, 4.9 and 4.10 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 company's actual or prospective financial position, financial performance, or cash flows.

The Statutory Forecast Financial Information and Pro forma Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the statutory forecast consolidated statement of profit or loss and other comprehensive income and the statutory forecast consolidated statement of cash flows of the Company for the financial year ending 30 June 2019 as set out in tables 3 and 9 of the Prospectus (the **Statutory Forecast Financial Information**). The Director's best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.12 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;
- the pro forma forecast consolidated statement of profit or loss and other comprehensive income and the pro forma forecast consolidated statement of cash flows of the Company for the financial year ending 30 June 2019 as set out in tables 1 and 9 of the Prospectus (the **Pro forma Forecast Financial Information**). The Pro forma Forecast Financial Information has been derived from the from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Section 4.2 of the Prospectus (the Pro forma Adjustments). An audit has not been conducted on the source from which the unadjusted financial information was prepared. 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 if those event(s) or transaction(s) had occurred as at 1 July 2018. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the year ending 30 June 2019.

The Statutory Forecast Financial Information and Pro forma Forecast Financial Information has 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 Company and controlled entities for the financial year ending 30 June 2019. There is a considerable degree of subjective judgement involved in preparing

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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 events and /or transactions 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 Company. Evidence may be available to support the assumptions on which the Statutory Forecast Financial Information and Pro forma Forecast Financial Information is based, however such evidence is generally future orientated 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. We do not express any opinion on the achievability of the results. 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 relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.14 of the Prospectus.

The sensitivity analysis set out in Section 4.14 of the Prospectus demonstrates the impacts on the Pro forma Forecast Financial Information of changes in key assumptions. The Pro forma Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Pro forma Forecast Financial Information will be achieved.

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.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including 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 preparation of the Statutory Forecast Financial Information and Pro forma Forecast Financial Information, including the best estimate assumptions underlying the Statutory Forecast Financial Information and Pro forma Forecast Financial Information 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; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

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 the Pro forma Forecast Financial Information based on the procedures performed and the evidence we

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have obtained. We have conducted our engagement in accordance with Australian 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 a reasonable assurance engagement. Accordingly, we will 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.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- a review of the extraction of Statutory Historical Financial Information from the audited financial statements of Atomos Limited and controlled entities for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- analytical procedures on the Statutory Historical Financial Information for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of work papers, accounting records and other documents of Atomos Limited and its auditors, including those dealing with the extraction of Statutory Historical Financial Information from the relevant audited financial statements of Atomos Limited and controlled entities;
- a review of the accounting policies adopted and used by Atomos Limited over the relevant periods for consistency of application; and
- enquiry of Directors, management and others in relation to the Statutory Historical Financial Information.

Pro forma Historical Financial Information

- consideration of the appropriateness of Pro forma Adjustments described in Section 4.2 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;

The Statutory Forecast Financial Information and Pro forma Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Statutory Forecast Financial Information and Pro forma Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Statutory Forecast Financial Information and Pro forma Forecast Financial Information; and

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- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

Conclusions

Statutory Historical 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 is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

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 is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

The Statutory Forecast Financial Information

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

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; or

(ii) in all material respects, the the Statutory Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus;

b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards;

(iii) the Statutory Forecast Financial Information itself is unreasonable.

The 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:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

(ii) in all material respects, the Pro forma Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus,

b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2018

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

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Restrictions on Use

Without modifying our conclusions, we draw attention to the 'Important Notices' of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Ashley Miller
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
AR number 461007

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August 2017

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).
FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service

GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
Member of Deloitte Touche Tohmatsu Limited
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

8 Details of the Offer

8 Details of the Offer

8.1 What is the Offer?

The Offer

This Prospectus relates to an initial public offering of Shares by the Company at an issue price of A$0.41 per Share.

The Offer is an invitation to apply for 14,634,146 Shares offered by the Company to raise proceeds of $6.0m. The total number of Shares on issue on Completion of the Offer will be 151,824,524.

The Shares will rank equally in all respects with the other Shares issued by the Company. The rights and liabilities attaching to the Shares are set out in Section 10.5.

8.2 Offer Structure

The Offer comprises:

- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, Hong Kong, Singapore and a number of other authorised jurisdictions to apply for Shares (see Section 8.7);
- the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker (see Section 8.6); and
- the Employee Incentive Offer – open to certain employees and members of the senior management team of the Group that receive an invitation from the Company to apply for Performance Rights or New Options under the Equity Incentive Plan (see Section 8.8).

The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers having regard to the allocation policies described in Sections 8.6.4 and 8.7.2.

There will be no general public offer of Shares made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares.

The Offer Shares will be issued to successful Applicants on the Allotment Date.

The Company reserves the right to close the Offer early, to accept late Applications or extend the Offer without notifying any recipient of this Prospectus or any Applicant. The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus and is fully underwritten by the Joint Lead Managers.

8.3 Is the Offer underwritten?

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.7.

8.4 Source and Use of Funds

The proceeds received by the Company under the Offer will be applied as follows:

Source of funds	A$m
Issue of Shares	6.0
Total sources of funds	**6.0**

Use of funds	A$m	% of funds raised
Investment in personnel to deliver on growth objectives	1.0	17%
Increase in working capital associated with new products	1.8	30%
Redemption of convertible notes	2.0	33%
Payment of costs of the Offer	1.2	20%
Total uses of funds	**6.0**	**100%**

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

The Board believes that the Company's current cash reserves, its cashflow from existing operations, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives, including:

- the release of a range of product offerings based on the Ninja Platform;
- the introduction of a new range of accessories and expansion modules under AtomX branding; and
- continued investment in the development of innovative and disruptive solutions to further improve the ecosystem for enhanced video content.

The Board will consider further equity or debt funding if appropriate to further accelerate growth or fund a specific project, transaction or opportunity.

8.5 Summary terms of the Offer

What type of security is being offered?	The Company will be offering fully paid ordinary shares in the Company under the Offer. The Company will be offering Performance Rights and New Options under the Employee Incentive Offer.
What rights and liabilities are attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.5. A description of the Performance Rights and New Options are set out in Section 10.7 & 10.8.
What is the Offer Price?	The Offer Price is $0.41 per Share. There is no payment requirement for Successful Applicants under the Employee Incentive Offer (i.e. there is no purchase price for the Performance Rights and New Options issued to Successful Applicants under the Employee Incentive Offer).
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 3 in the Important Dates section.
Who can apply?	The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Brokers and who have a registered address in Australia. You should contact your Broker to determine whether you can receive a firm allocation form them under the Broker Firm Offer. The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain foreign jurisdictions to apply for Shares under the Offer. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer. The Employee Incentive Offer is an invitation to certain Directors, employees and members of the key management team of the Group to apply for Performance Rights and New Options. Only those Applicants who have received an Employee Incentive Offer Invitation Letter may apply for Performance Rights or New Options under the Employee Incentive Offer.
What are the cash proceeds to be raised?	Approximately $6.0m will be raised by the Company from the issue of New Shares by the Company under the Offer.
Is the Offer underwritten?	Yes. The JLMs have fully underwritten the Offer in accordance with the Underwriting Agreement. Details are provided in Section 9.7.
What is the minimum and maximum Application size under the Broker Firm Offer and Employee Incentive Offer?	The minimum Application under the Broker Firm Offer is 5,000 Shares. There is no maximum number or value of Shares that may be applied for under the Broker Firm Offer. The Joint Lead Managers, in consultation with the Company, reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. Applicants under the Employee Incentive Offer will be entitled to apply for that number of Performance Rights and New Options offered by the Company under the Employee Incentive Offer Invitation.

8 Details of the Offer

What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 8.6.4 and 8.7.2. With respect to the Broker Firm Offer, it is a matter for the Broker how they allocate firm Shares among their eligible retail clients. The allocation of Performance Rights and New Options under the Employee Incentive Offer has been determined by the Company. For further information on the Broker Firm Offer see Section 8.6. For further information on the Institutional Offer see Section 8.7.
Will the Shares be listed?	The Company will apply to the ASX for admission to the Official List and quotation of its Shares on the ASX under the code AMS. Completion of the Offer is conditional on, among other things, the ASX approving the application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Amounts received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	Details are provided in the Important Dates section on page 3.
Payment methods	Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by their Broker. If you are an Applicant under the Employee Incentive Offer, no payment is required for Performance Rights or New Options issued to Applicants under the Employee Incentive Offer.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on 21 December 2018.
Are there any escrow arrangements?	Yes. Details are provided in Section 10.9.
Is there brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. Refer to Section 9.7 for details of fees payable by the Company to the Joint Lead Manager and Underwriters.
Are there any tax considerations?	Yes. Please refer to Section 10.11 for an overview of certain Australian tax and duty implications for investors of investing in Shares under the Offer. Note that it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Atomos Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (from outside Australia) between 9.00am and 5.00pm AEDT, Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining Shares is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, tax adviser financial adviser or other independent professional adviser before deciding whether to invest.

8.6 Broker Firm Offer

8.6.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

8.6.2 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 payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Application Form. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Amount are received before 5.00pm (AEDT) on the Closing Date or any earlier closing date as determined by your Broker.

Applications for Shares must be for a minimum of 5,000 Shares and payment for the Shares must be made in full at the issue price of A$0.41 per Share. There is no maximum number or value of Shares that may be applied for under the Offer. However, the Company and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Offer. Atomos may determine a person to be eligible to participate in the Offer and may amend or waive the Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Offer opens at 9am (AEDT) on 10 December 2018 and is expected to close at 5.00pm (AEDT) on 18 December 2018. The Company and the Joint Lead Managers may elect to close the Offer early or extend the Offer, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

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. 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 reverse of the Application Form.

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

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

8.6.3 Payment methods

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

8.6.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate Shares among their retail clients and they (and not the Company or the Joint Lead Managers) will be responsible.

8.6.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to apply for the amount of Shares specified in the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants. The Joint Lead Managers, in agreement with the Company, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

8.6.6 Application Amounts

Application Amounts received under the Broker Firm Offer will be held in a special purpose bank account until Shares are issued to successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied, will be mailed a refund (without interest) for all or part of their Application Amounts, as applicable. No refunds due solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Amounts pending the allocation or refund will be retained by the Company.

To participate in the Offer, the Application Form must be completed and received, together with the Application Amounts, in accordance with the instructions on the Application Form.

8.7 Institutional Offer

8.7.1 Who can apply?

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain foreign jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

8.7.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Company and the Joint Lead Managers. Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

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

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of Institutional Shareholders;
- overall level of demand under the Broker Firm Offer and 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 the Company and the Joint Lead Managers considered appropriate.

8.8 Employee Incentive Offer

8.8.1 Who can apply?

Employees and members of senior management of the Group in Australia and certain other jurisdictions who have received an Employee Incentive Offer Invitation may apply for Performance Rights and/or New Options under the Employee Incentive Offer. The Employee Offer Invitation Letter will detail the terms of the Employee Incentive Offer, including your allocation of Performance Rights and/or New Options, together with a personalised Application Form.

8.8.2 How to apply

No payment is required for Performance Rights or New Options issued to Applicants under the Employee Incentive Offer.

If you have received an Employee Incentive Offer Invitation Letter from the Company inviting you to acquire Performance Rights and/or New Options under the Employee Incentive Offer and wish to apply for those Performance Rights and/or New Options, you should complete the personalised Application Form accompanying the letter and submit this to the Share Registry by 5.00pm (AEDT) on the Closing Date or any earlier closing date as determined by the Company.

The Employee Offer opens at 9.00am (AEDT) on 10 December 2018 and is expected to close at 5.00pm (AEDT) on 18 December 2018. The Company and the Joint Lead Managers may elect to close the Employee Incentive Offer or extend the Employee Incentive Offer, or accept late Applications either generally or in particular cases. The Employee Incentive Offers may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

The Company reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Employee Incentive Offer. Or to waive or correct any errors made by an Applicant in completing their Application.

8.9 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Amounts will be refunded (without interest).

The Company and the Joint Lead Managers 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 or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid.

8.10 Substantial Holders

The table below sets out the interests of the Existing Shareholders as at the date of this Prospectus and immediately following the Offer who hold a substantial interest in Securities of the Company. The table does not reflect any Shares which the Existing Shareholders may subscribe for under the Offer.

	DATE OF PROSPECTUS				IMMEDIATELY FOLLOWING THE OFFER			
	NUMBER OF SHARES		PERCENTAGE OF SHARES		NUMBER OF SHARES		PERCENTAGE OF SHARES	
Holder	Undiluted[1]	Diluted[2]	Undiluted	Diluted	Undiluted	Diluted[3]	Undiluted	Diluted
Ms Claire Louise Young <Young Family A/C>[4]	17,731,333	17,731,333	12.9%	12.6%	17,731,333	17,731,333	11.7%	11.1%
Domazet FT3 Pty Ltd <The Domazet Family A/C No 3>	15,193,408	15,193,408	11.1%	10.8%	15,193,408	15,193,408	10.0%	9.5%
Common Sense Computing Pty Ltd <Common Sense A/C>	12,877,988	12,877,988	9.4%	9.2%	12,877,988	12,877,988	8.5%	8.1%
Ellerston Capital Limited <Qpipo A/C>	11,776,413	11,776,413	8.6%	8.4%	11,776,413	11,776,413	7.8%	7.4%
Imagination Technologies Ltd	10,530,000	10,530,000	7.7%	7.5%	10,530,000	10,530,000	6.9%	6.6%
Employees/ Management/ Board[5]	18,039,958	20,765,218	13.1%	14.8%	18,039,958	24,856,128	11.9%	15.6%
Other existing Shareholders	51,041,278	51,861,460	37.2%	36.9%	51,041,278	51,861,460	33.6%	32.5%
New Investors (IPO)	–	–	–	–	14,634,146	14,634,146	9.6%	9.2%
Total	**137,190,378**	**140,735,820**	**100.00%**	**100.00%**	**151,824,524**	**159,460,876**	**100.00%**	**100.00%**

1. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares immediately prior to the Prospectus Date but that no options have been exercised.
2. Assumes $1.95 million of existing Convertible Notes is redeemed with all remaining existing Convertible Notes converted into Shares and all Options were exercised in full immediately prior to the Prospectus Date.
3. Assumes 100% of the Existing Options issued as at the Prospectus date vests and are exercised. Assumes 50% of the performance rights under the STI plan vests. Assumes 50% of the total options under the LTI plan vests. Further commentary on the LTI plan is provided in Section 6.8.2.2.
4. Entity associated with Atomos' CEO, Jeromy Young.
5. Excludes the interest of Jeromy Young per note 4 above.

8.11 ASX listing

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the official list of ASX and for its Shares to be granted official quotation by ASX. The Company is not currently seeking a listing of its Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If permission for quotation of the Shares is not granted within three months after the date of this Prospectus, all Application Amounts received by the Company will be refunded without interest as soon as practicable.

8.12 CHESS and issuer sponsored holdings

The Company will apply to participate in CHESS and will 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 ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in 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 Security holders Holder Identification Number (HIN) for CHESS holders or, where applicable, the Security holders 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 subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

8.13 Tax implications of investing in the Company

The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A general overview of certain Australian taxation implications of investing in the Company is set out in Section 10.11 and is based on current tax and duty law and relevant guidance. The information in Section 10.11 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

8.14 Overseas distribution

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

Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

If you (or any person for whom you are acquiring or procuring the New Shares) are in New Zealand, you (and any such person):

- warrant that you are a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"), (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act, (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act, (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act or (v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act;
- acknowledge that: (i) Part 3 of the FMC Act shall not apply in respect of the offer of Shares to you, (ii) no product disclosure statement under the FMC Act may be prepared in respect of the offer of Shares and (iii) any information provided to you in respect of the offer is not required to, and may not, contain all of the information that a product disclosure statement under New Zealand law is required to contain;
- warrant that if in the future you elect to directly or indirectly offer or sell any of the Shares allotted to you, you undertake not to do so in a manner that could result in (i) such offer or sale being viewed as requiring a product disclosure statement or other similar disclosure document or any registration or filing in New Zealand, (ii) any contravention of the FMC Act or (iii) the Company or its directors incurring any liability; and
- warrant that (i) any person for whom you are acquiring Shares meets one or more of the criteria specified in subclause (a) above and (ii) you have received, where required, a safe harbour certificate in accordance with clause 44 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

If you (or any person for whom you are acquiring the Shares) are in Singapore, you (and any such person):

- are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA);
- will acquire the Shares in accordance with applicable provisions of the SFA; and
- acknowledge that the offer of the Shares is subject to the restrictions (including selling restrictions) set out in the SFA.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

If you (or any person for whom you are acquiring the Shares) are in Hong Kong, you (and any such person) are a "professional investor" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong.

United States residents

The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

9 Material Contracts

9 Material Contracts

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

9.1 Distribution Agreements

Generally, Atomos relies on a single distribution partner within each jurisdiction in which it operates. Atomos does not have formal written contracts in place with a majority of its distributors who order and purchase products from Atomos on an ad hoc basis. Purchasers provide Atomos with a purchase order on the purchaser's standard purchase order form and Atomos then supplies the products and invoices the customer.

Atomos has long term written contracts with some of its distributors, including written agreements with two of its key distributors.

Below is a brief overview of the key terms of the distribution arrangements that Atomos has with its key distributors and resellers.

9.1.1 B&H Vendor Agreement

Overview: Atomos AU Pty Ltd (**Atomos AU**) has entered into a vendor agreement with B & H Foto & Electronics Corp (**B&H**) in or around 1 March 2011, under which Atomos AU appoints B&H as an authorised dealer of its products and grants B&H a non-exclusive, revocable licence to sell, market and distribute its products in North America and Asia but excluding Japan (**B&H Vendor Agreement**). B&H is a US-based specialty electronics retailer and is Atomos' largest customer by revenue.

B&H is not required to satisfy any ongoing minimum order commitments.

Term and termination: The original term of the agreement expired on 29 February 2012, with the agreement continuing on an automatic renewal basis. Either party may terminate the agreement by 30 days' notice prior to the anniversary of the commencement of the B&H Vendor Agreement.

Either party also has the right to terminate the agreement immediately for failure to rectify a material breach after 30 days' written notice.

Indemnity: Atomos AU has provided an indemnity under the B&H Vendor Agreement for any loss suffered from third party intellectual property infringement claims relating to its products or from Atomos AU's failure to provide or update the accuracy of information identifying the country in which its products were manufactured or produced.

9.1.2 Broadfield Distribution Agreement

Overview: Broadfield Distributing Inc. (**Broadfield**) has been distributing Atomos products in the US since July 2016. Atomos AU Pty Ltd (**Atomos AU**) entered into a formal distribution agreement with Broadfield, under which Broadfield is appointed as an authorised distributor of Atomos products within the US, Canada and Puerto Rico (**Broadfield Distribution Agreement**). Broadfield is a US-based distributor of video production hardware and is Atomos' second largest customer by revenue.

Under the Broadfield Distribution Agreement, Broadfield agrees to use its reasonable best efforts to advertise, market and sell Atomos products to authorised resellers. Broadfield submits written purchase order which Atomos AU must acknowledge within 10 days and confirm a delivery date. Atomos AU must supply its products at the prices specified in its price list at the time an order is submitted. Atomos AU retains the right to vary those prices at its sole discretion on notice to Broadfield.

Broadfield is not required to satisfy any ongoing minimum order commitments.

9 Material Contracts

Term and termination: The Broadfield Distribution Agreement is ongoing until terminated by either party. Parties can terminate without cause and for convenience by providing 90 days' written notice. Either party also has the right to terminate on shorter notice on certain default events such as an impermissible assignment of the agreement, failure to cure a breach or an insolvency event.

Indemnity: Atomos AU has provided an indemnity under the Broadfield Distribution Agreement for any loss suffered from the failure, or alleged failure, of its products to fully comply with all applicable laws. Atomos AU has also indemnified Broadfield against intellectual property infringement claims relating to its products.

9.1.3 Adorama reseller arrangement

Overview: Adorama Inc. (**Adorama**) is a US-based photography, videography and electronics retailer and one of Atomos' largest customers by revenue. Atomos has not entered into any formal written agreement with Adorama. Rather Adorama submits ad hoc purchase orders on its standard purchase order form and Atomos supplies the products and invoices Adorama. Adorama receives a small discount on the invoiced amount for prompt payment.

9.2 Product assembly and manufacturing arrangements

9.2.1 Product assembly arrangements with Kenling

The Group is reliant on Kenling Electronics Co. Ltd (Kenling) based in Guangdong, China for a significant proportion of its product assembly services.

The Group has not entered into any formal documented written agreement with Kenling. Rather Atomos provides Kenling with production orders and Kenling then provides Atomos with a quote for acceptance by Atomos. Once Kenling issues an invoice, Atomos is required to pay a deposit of 30% of the total invoiced amount with the balance payable on delivery.

Atomos works closely with Kenling ahead of time to forecast orders which assists Kenling with meeting Atomos' order requirements. Atomos has a good longstanding relationship with Kenling and continues to believe Kenling is committed to a long-term relationship with the Atomos.

9.2.2 Other product assembly and manufacturing arrangements

The Group also uses, and intends to use, other providers for its product assembly and product manufacturing requirements including services provided by Osee Technology Co. Ltd, being a company based in Beijing, China, under a written agreement with Atomos Global Pty Ltd.

9.3 Licence Agreements

9.3.1 General

Overview: The Group has entered into licence agreements with licensors including Apple, Sony, Microsoft, and Panasonic (**Licence Agreements**) under which the Group has obtained licences for critical intellectual property used in its products. These licence agreements are generally on the licensors' standard terms.

Term and termination: Terms vary between one and ten years and generally provide for automatic renewal or an option at the Group's election. The majority of the Licence Agreements allow the licensor to terminate without cause on short notice of between 30 and 90 days'.

Non-Exclusivity: Each of the Licence Agreements provides that the Group will only receive a non-exclusive licence to the relevant intellectual property.

Indemnity: The Licence Agreements generally require the Group to provide broad indemnities to cover counterparty loss or damage relating to third party claims arising from the Group's development, sale or other similar use of the intellectual property rights (other than claims solely relating to the licensed intellectual property itself).

9.3.2 Apple Pro Res RAW Licence Agreement

Overview: Atomos IP Pty Ltd (**Atomos IP**) entered a Pro Res RAW Licence Agreement (Distribution) (**ProRes RAW Licence Agreement**) with Apple Inc (**Apple**) on or about 2 April 2018. The ProRes RAW Licence Agreement is a key licence agreement for the Group. Pursuant to the ProRes RAW Licence Agreement, Apple agrees to provide a non-exclusive licence to Apple's ProRes RAW Codec technology to incorporate into Atomos' Sumo and Shogun Inferno products.

Term and termination: One year with automatic renewal unless terminated on 60 days' notice prior to renewal. Apple may terminate at any time without cause on 60 days' notice.

Conditions: Apple grants the licence to the ProRes RAW Codec technology subject to a number of conditions, including that it will not implement any ProRes RAW decoder or encoder that has not been approved by Apple.

9.4 Component Supply Agreements

9.4.1 Open Silicon – ASIC

Overview: Atomos AU Pty Ltd (**Atomos AU**) entered an ASIC Design and Production Agreement (**Open-Silicon Supply Agreement**) with Open-Silicon Inc (**Open-Silicon**) on or about 26 June 2017. The Open-Silicon Supply Agreement is a key component supply agreement for the design and supply of one or more tailored Application-specific integrated circuit devices (**OS ASIC**).

Term and termination: The Open-Silicon Supply Agreement is ongoing until terminated. Atomos AU may terminate the Open-Silicon Supply Agreement for convenience on 90 days' notice and will be deemed to have terminated the agreement if it does not place any order within any 9-month period of the term. Open-Silicon may suspend its performance if it reasonably believes the design, manufacture or supply of products may violate a third party's intellectual property rights.

Indemnity: Open-Silicon must defend or settle any third party claim brought against Atomos AU in respect of intellectual property infringement claims relating solely to Open-Silicon's services brought in United States, Mexico, Japan, United Kingdom, The European Union or Australia, other than where the infringement claim relates solely to a claim arising from or relating to the designs, plans, specifications, instructions and requirements provided by Atomos AU.

Under the Open-Silicon Supply Agreement, Open-Silicon's liability is limited as follows:

- prior to acceptance of prototypes – the amount of NRE paid by Atomos AU to Open-Silicon for the product causing loss; and
- after acceptance of prototypes – at the greater of $250,000 and 10% of the sum paid in the last 12 months for the relevant product that causes the loss.

Atomos AU must defend or settle any third party claim brought against Open-Silicon in respect of intellectual property infringement claims relating to certain items provided by Atomos AU (eg. designs specifications and technology, other than where the infringement claim relates solely to a claim that the services provided by Open-Silicon constitute a breach of a United States patent, copyright or similar trademark.

9.4.2 Braemac and AVNet

The Group utilises either Xilinx or Altera FPGA chips, which are a key component of the Group's products.

Avnet supplies Xilinx FPGA chips to the Group, while Braemac supplies Altera FPGA chips to the Group.

The Company does not have written agreements in place with either AVNet or Braemac. Rather Atomos submits purchase orders on an ad hoc basis and the suppliers then supply the relevant product and issue Atomos with an invoice. Atomos has longstanding relationships with each of AVNet and Braemac and continues to believe that each of AVNet and Braemac are committed to these long term relationships with the Company.

9 Material Contracts

9.5 Supply Agreement and Joint Development Agreement with JVC KENWOOD

9.5.1 Master Procurement Agreement

Overview: Atomos AU Pty Ltd (**Atomos AU**) has entered a Master Procurement Agreement with JVC KENWOOD Corporation (**JVC**) which sets out the terms on which JVC and certain affiliates of JVC (**JVC Group**) may acquire products from Atomos AU. The Master Procurement Agreement envisages that specific agreements and purchase orders will supplement the terms of the Master Procurement Agreement in respect of particular orders for particular products as specified in order forms placed by the JVC group entity.

Term and termination: The initial term of the Master Procurement Agreement is yet to be determined. However, after the initial term, the Master Procurement Agreement will automatically renew for one year terms unless terminated on not less than 6 months' notice. Either party can terminate by written notice if the other party breaches the agreement and such breach is not rectified after notice. The agreement also allows the parties to terminate by written notice on the occurrence of certain default events, including if Atomos AU fails to deliver the products on time without cause, dishonoured payments or insolvency events.

No minimum orders: There is no minimum volume or expenditure commitment applying under the Master Procurement Agreement.

Indemnity: The Group indemnifies the purchaser against any loss from third party claims for product defects, other than due to the fault of the JVC Group Purchaser.

9.5.2 Joint Development Agreement

Overview: Atomos Engineering Pty Ltd (**Atomos Engineering**) has entered into a Joint Development Agreement with JVC which sets out the terms on which Atomos Engineering and JVC agree to jointly develop software for the specific joint project, primarily for use in the parties' respective professional video products. Under the agreement, JVC paid Atomos Engineering an initial amount for development costs to be used by Atomos Engineering for the costs of materials and expenses incurred by Atomos Engineering in developing products under the agreement.

Intellectual property: Unless otherwise agreed in writing by the parties, any intellectual property in developed products that is individually created by either party will be the sole property of that party and any intellectual property jointly created by the parties will be the joint property of both parties. Where intellectual property is solely created and owned by either party, the other party is granted an irrevocable licence in relation to that intellectual property without payment of any license fees or other charges, although the licensee will not have a right to sub-licence without consent of the other party.

Term and termination: The one year fixed term of the agreement ended on 25 August 2018 and the parties have agreed to extend this until 25 June 2019.

9.6 Financing Facility – EFIC

Overview: The Group has obtained an Export Line of Credit Facility with a facility limit of A$1.5million from the Export Finance and Insurance Corporation (**EFIC Facility**). The EFIC facility is a revolving loan facility, allowing for drawdowns of at least $50,000. The Company may draw down up to 75% of the amount of purchase orders received from the Group's customer/distributors for the purpose of satisfying its obligations under those purchase orders (effectively, advance payments).

Interest and repayment: The EFIC Facility is subject to a 1.50% per annum commitment fee accruing since 2 August 2018. Any drawings accrue interest at a rate of 7.5% per annum on top of a base rate. As at the date of this Prospectus, the Group has not drawn down any amount of the EFIC Facility.

The Company must repay each drawing within the earlier or receipt of payment under approved customer contracts or 90 days from the drawdown date.

Availability Period: The EFIC Facility is available for drawdown until 28 February 2019 and may be extended by EFIC to 30 April 2019 if it is satisfied by the Company's financial information and the progress of a capital raise, which has since been completed. Unless extended by EFIC in its sole discretion, the EFIC Facility must be repaid by 28 May 2019.

Conditions to draw: The Group must satisfy a number of conditions prior to each draw down, including not drawing down funds more than twice in each calendar month and EFIC being satisfied with the risks relating to the Group's obligations under the relevant purchase order.

Security: Under the facility, the Company has granted EFIC a first-ranking security over all of its assets and undertaking guaranteed by each of the Company's subsidiaries.

Undertakings: In addition to EFIC's standard undertakings, the Group undertakes that the proceeds of the EFIC Facility will not be used by an Australian Group entity for the dominant purpose of directly investing overseas.

Review Events: In addition to EFIC's standard review events, EFIC may review and reduce or cancel the facility in its sole discretion if:

9.6.1 there is a change of 5% or more in the ownership of Imagination Technologies Limited, Atomos Engineering Pty Ltd, Atomos Pty Ltd or the Company; or

9.6.2 if the availability period is extended to a date after 30 November 2019 – if the Company has not provided satisfactory evidence that all 2018 convertible notes then on issue have been or will be extended for a further 12 month period and will not be required to be redeemed prior to that time.

In addition, the Group must obtain EFIC's prior written consent to all capital raising events and convertible note issues. The Company has at the date of this Prospectus obtained EFIC's written consent to the offer of shares under this Prospectus and listing, including the changes to the shareholdings resulting from the Offer.

9.7 Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated on or around the date of this Prospectus between the Joint Lead Managers and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to jointly lead manage the Offer and act as underwriters for the Offer.

For the purpose of this Section 9.7, Offer Documents means the following documents:

1. the pathfinder prospectus (Pathfinder) for the Offer;
2. this Prospectus (including any supplementary or replacement prospectus) and any Application Form; and
3. certain documents sent to investors under the Institutional Offer including roadshow presentation materials and other writer information approved by the Company that are presented or delivered to prospective investors.

9.7.1 Fees and expenses

Subject to the Joint Lead Managers satisfying their underwriting obligations under the Underwriting Agreement, the Company has agreed to pay the Joint Lead Managers an underwriting fee of 4.0% of the proceeds of the Offer and a management fee of 2.0% of the proceeds of the Offer, which will be paid equally between the Joint Lead Managers.

In addition, the Company has agreed to pay or reimburse the Joint Lead Managers for the reasonable costs incurred by them in relation to the Offer.

9.7.2 Termination events

If any of the following events occur before Completion, a Joint Lead Manager may, at any time by giving notice to the Company and the other Joint Lead Manager immediately, without cost or liability to itself, terminate the Underwriting Agreement:

- the S&P/ASX 200 Index is for two consecutive trading days after the Prospectus Date, or on the trading day before Completion, more than 10% below the level of that index at the close of ASX trading on the trading day before the Prospectus Date;
- a material adverse change occurs in the assets, liabilities, Share capital, Share structure, financial position or performance, profits, losses or prospects of the Company or the Group, from those respectively disclosed in the Prospectus;
- there are not, or there ceases to be, reasonable grounds (in the reasonable opinion of the Joint Lead Managers) for any statement in the Offer Documents which relate to future matters, or any statement or estimate in the Offer Documents which relate to a future matter is (in the reasonable opinion of the Joint Lead Managers) unlikely to be met in the projected timeframe (including in each case the financial forecasts);
- the Company withdraws the Prospectus or terminates the Offer or any part of the Offer;
- any of the escrow deeds entered into by escrowed shareholders are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with by the Company;
- the Company does not provide a closing certificate as and when required by the Underwriting Agreement;
- any Group member suspends payment of its debts generally, or, becomes insolvent, or, any Group member is unable to pay its debts within the meaning of the Corporations Act;
- any Group member enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- the Company ceases or threatens to cease to carry on its business, or disposes, or agrees to dispose, of the whole, or a substantial part of its business or property;
- a person charges or encumbers or agrees to charge or encumber, the whole, or a substantial part of the business or property of the Company or the Group;
- ASIC makes an interim or final stop order or gives notice of its intention to hold a hearing in relation to the Prospectus under section 739 of the Corporations Act or makes an application under section 1324 or 1324B of the Corporations Act other than a notification or action not made public and that is withdrawn after 3 business days;
- any person gives a notice under: (a) section 733(3) Corporations Act or any person who has previously consented to the inclusion of their name in the Prospectus (or any Supplementary Prospectus) or to be named in the Prospectus withdraws their consent after lodgement; (b) section 730 Corporations Act in relation to the Prospectus (other than a notice issued by a Joint Lead Manager);
- a statement contained in the Prospectus is misleading or deceptive or likely to mislead or deceive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to section 710, 711, 715A and 716 of the Corporations Act);
- ASIC issues proceedings in relation to the Company an application is made by ASIC for an order under Part 9.5 Corporations Act in relation to the Prospectus, or ASIC commences any investigation or hearing under Part 3 Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
- the Company (a) lodges a supplementary prospectus without the consent of the Joint Lead Managers in accordance with the Underwriting Agreement (b) the Company is required to lodge a supplementary prospectus because of a circumstance arising after the date of the Prospectus Date that is materially adverse from the point of view of an investor pursuant to section 719(i) of the Corporations Act, or, (c) the Company fails to lodge a supplementary prospectus in a form acceptable to the Joint Lead Managers in accordance with the Underwriting Agreement;

- approval for quotation of the Company's Shares is refused or not granted by ASX, or if approval is granted by ASX, such approval is subsequently withdrawn, withheld or qualified (other than subject to customary conditions or conditions acceptable to the Company and the Joint Lead Managers (acting reasonably));
- any ASIC modification is not granted or if granted is withdrawn;
- a Group member, or any of their respective directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent conduct or activity;
- the Company is or will be prevented from conducting or completing the Offer (including issuing the Shares under the Offer) or the Company is unwilling to proceed with the Offer; or
- any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the money received from persons who have applied for Offer Shares or offering persons who have applied for Offer Shares an opportunity to withdraw their application for Offer Shares and be repaid their application money.

If any of the following events occur before Completion, a Joint Lead Manager may, at any time by notice given to the Company and the other Joint Lead Manager immediately, without cost or liability to itself, terminate the Underwriting Agreement if (a) the Joint Lead Manager has reasonable grounds to believe the event has had or could be expected to have a material adverse effect on (i) the success of the Offer, or (ii) the ability of the Joint Lead Managers to market or promote or settle the Offer (iii) the subsequent market for the Offer; or (b) there is a reasonable possibility that a Joint Lead Manager will contravene, be involved in a contravention of, or incur a liability under the Corporations Act or any other applicable law as a result of the event:

- if any of the obligations of the relevant parties under any material written contract of the Group noted in Section 9 of this Prospectus are not capable of being performed in accordance with their terms or if all or any part of such a material contract (a) is terminated, withdrawn, rescinded, avoided or repudiated (b) is altered, amended or varied without the consent of the Joint Lead Managers (acting reasonably) (c) is breached, or there is a failure by a party to comply (d) ceases to have effect, otherwise than in accordance with its terms, or, (e) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- if any party to an unwritten material arrangement described in Section 9 of the prospectus to which a Group member is a party gives notice terminating or advises of an intention to terminate the arrangement or otherwise ceases to deal with any Group member;
- a statement in a closing certificate delivered by the Company under the Underwriting Agreement is untrue, incorrect or misleading or deceptive;
- a statement contained in the Offer Documents (other than the Prospectus) is misleading or deceptive or likely to mislead or deceive, or a matter required by the Corporations Act is omitted from the Offer Documents (other than the Prospectus) (having regard to section 710, 711, 715A and 716 of the Corporations Act);
- any information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is, or becomes misleading or deceptive, or is likely to mislead or deceive (including by omission);
- a change to the constitution of the Company;
- other than as disclosed in the Prospectus or as otherwise permitted under the Underwriting Agreement, a change to the Company's share capital or capital structure occurs without the prior written consent of the Joint Lead Managers;
- if there is (a) an introduction of legislation (b) a public announcement of prospective legislation or policy by the Federal Government or any State or Territory or the Reserve Bank of Australia, or (c) the adopting by ASX of any regulation or policy;

9 Material Contracts

- any material adverse change or disruption occurs in (a) the existing financial markets, political or economic conditions of Australia, New Zealand, Japan, Hong Kong, Singapore, South Korea, the Peoples' Republic of China, any member of the European Union, the United Kingdom, the United States of America or in the international financial markets, or (b) the national or international political, financial or economic conditions;
- hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether ware has been declared or not) involving any one or more Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, South Korea, Russia, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- a general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States, Hong Kong, Singapore or any member state of the European Union is declared or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, NASDAQ, the London Stock Exchange or the ASX;
- other than as disclosed in the Prospectus, a change in the Directors or the Senior Management of the Company (as noted in Sections 6.2 and 6.3 of the Prospectus) is announced or occurs without the written consent of the Joint Lead Managers;
- any of the following occurs (a) legal proceedings are commenced against the Company (b) any Director or senior manager of the Company (as noted in Sections 6.2 and 6.3 of the Prospectus) is charged with an indictable offence (c) or any regulatory body commenced any public action against the Director or senior manager of the Company (as noted in Sections 6.2 and 6.3 of the Prospectus) or announced that it intends to take any such action, or (d) any Director or senior manager of the Company (as noted in Sections 6.2 and 6.3 of the Prospectus) is disqualified from managing a corporation under section 206A, 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;
- a contravention by the Company or any entity in the Group of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- a statement in any of the Public Information is or becomes misleading or deceptive or likely to mislead or deceive;
- the Prospectus, an Offer Document or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- the Company or an entity in the Group issues a public statement concerning the Offer which has not been approved by the Joint Lead Managers in accordance with the Underwriting Agreement;
- the Company breaches any of its undertakings or obligations under the Underwriting Agreement;
- any representation or warranty contained in the Underwriting Agreement on the part of the Company is breached or becomes false, misleading or incorrect;
- except as contemplated by the Prospectus or permitted under the Underwriting Agreement, an event specified in section 652C(1) or section 652C(2) Corporations Act occurs, but replacing 'target' with 'Company';
- an event specified in the timetable in the Underwriting Agreement is delayed for more than 3 Business Days (other than a delay contemplated under the Underwriting Agreement);
- the Company or any Group Member fails to comply with a provision of its constitution, any statute, the Listing Rules, a requirement, order or request made by or on behalf of the ASIC, the ASX or any Governmental Agency; or any agreement entered into by it; or
- there is a material omission from the results of the due diligence investigations relating to the Company or the verification material or the results of the due diligence investigations or verification materials are false or misleading.

In the event a Joint Lead Manager terminates its obligations under the Underwriting Agreement, that Joint Lead Manager shall be immediately relieved of its obligations under the Underwriting Agreement and the remaining Joint Lead Manager may elect by notice in writing to the Company and the terminating Joint Lead Manager that it will assume all obligations of the terminating Joint Lead Manager. If the remaining Joint Lead Manager does not make an election within two business days, the remaining Joint Lead Manager is deemed to have terminated on expiry at that period. Upon termination, the Company will be relieved of any obligation to pay the Joint Lead Manager any fees which have not accrued as at the date of termination (except costs reasonably incurred by the Joint Lead Manager).

9.7.3 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers as well as common conditions precedent, including the receipt by the Joint Lead Managers of the final, signed due diligence report and that ASX will grant certain waivers and ASIC will grant certain modifications in relation to the Offer.

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company including in relation to ownership of assets, authorisations and litigation.

The Company's undertakings include that it will not, until 180 days after Settlement, issue or agree to issue any equity securities, or other securities that are convertible or exchangeable into Shares, without the prior consent of the Joint Lead Managers (such consent not to be unreasonably withheld). This undertaking is subject to certain exceptions, including any issue made pursuant to this Prospectus, an employee share plan or any conversion or exercise of securities described in the Prospectus.

9.7.4 Indemnity

Subject to certain exclusions relating to, among other things, fraud, gross negligence or wilful default of any indemnified party, the Company agrees to keep the Joint Lead Managers and any of their related bodies corporate, affiliates and their representatives indemnified from losses suffered by them in connection with the Offer or the appointment and role of the Joint Lead Managers pursuant to the Underwriting Agreement.

10 Additional Information

10 Additional Information

10.1 Incorporation

The Company was incorporated on 29 September 2009.

10.2 Group structure

Atomos Ltd
ACN 139 730 500
Melbourne, Australia
Role: Holding Company

100%

Australia

- Atomos AU Pty Ltd
  ACN 147 815 325
  Melbourne, Australia
  Role: Executive Finance & Marketing
- Atomos Engineering Pty Ltd
  ACN 139 733 592
  Melbourne, Australia
  Role: Engineering
- Atomos Global Pty Ltd
  ACN 623 147 517
  Melbourne, Australia
  Role: Procurement & Production
- Atomos IP Pty Ltd
  ACN 623 147 357
  Melbourne, Australia
  Role: Holds Intellectual Property
- Atomos Pty Ltd
  ACN 617 470 729
  Melbourne, Australia
  Dormant

International

- Atomos GmbH
  Montabaur, Germany
  Role: Global Trading & Service
- Atomos Inc
  Oregon, USA
  Role: Service
- Atomos Design Co Ltd (kk)
  Tokyo, Japan
  Role: Engineering & Business Development
- Atomos China Co. Ltd
  Shanghai Free Trade Zone, China
  Role: Trading & Service
- Atomos Global UK Ltd
  Milton Keynes, UK
  Role: Engineering & Service
- Atomos Co Ltd (kk)
  Tokyo, Japan
  Dormant

10 Additional Information

10.3 Current capital structure

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

Class of Security	Number
Shares	106,358,061
Options (refer 10.6)	3,545,442
Convertible Notes[1]	11,330,584

1. Includes accrued Convertible Note interest up to 28 December 2018.

10.4 Capital structure following the Offer

Shortly prior to the allotment of Shares under the IPO, all of the Convertible Notes will be automatically converted into Shares or redeemed in accordance with the terms of issue of the Convertible Notes, with effect from the day before Listing. The Company will issue 27,139,250 Shares on the conversion of the Convertible Notes.

As at the Allotment Date, the issued share capital of the Company will comprise the following:

Class of Security	Number of Securities	Fully Diluted
Shares	151,824,524	163,551,786
Options	9,731,307	Nil
Performance Rights	1,995,955	Nil

10.5 Rights attaching to the Shares

Immediately after issue and allotment, the Shares to be issued under the offer will be fully paid Shares and the Shares will rank *pari passu* with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Company's Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Company's Constitution, free of charge by contacting the Company at +61 2 9290 9600.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below:

Each Share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Company's Constitution and the Corporations Act;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (as at Completion there are none);
- the right to receive dividends, according to the amount paid up on the Share;

- the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to priority given to holders of Shares that have not been classified by ASX as 'restricted securities' and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and the ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

10.6 Existing Options

As at the date of this Prospectus, the Company has the following Existing Options on issue under the Existing Plan, with each Existing Option entitling the holder to subscribe for one Share at the specified exercise price:

Number of Existing Options	Exercise price	Expiry
3,545,442	$0.37	12 April 2028

See Section 6.8.1 for a summary of the Existing Plan.

In accordance with the terms of the Existing Plan, the Board has determined that all Existing Options will vest in full upon the Company's Listing.

Any Shares issued on exercise of the Options, will be subject to a holding lock for a period of 18 months from Listing. Whilst the holding lock remains in place, these Shares cannot be transferred without the consent of the Company.

10.7 New Options

The Board has determined to make initial grants of long-term incentives to the Directors, senior management team and other key employees of the Group under the Equity Incentive Plan, shortly prior to Listing. Each New Option will entitle the holder to subscribe for one Share at the specified exercise price. See Section 6.8.2 for a summary of the New Atomos Equity Incentive Plan.

At Completion, the Company will have the following New Options on issue:

Number of New Options	Exercise price	Expiry
6,185,865	$0.41	30 November 2028

The New Options which are being offered under this Prospectus:

- to senior management and key employees, will vest at the end of a three-year period from the date of issue of the New Options, to the extent that specified earnings per share hurdles are met over the three-year period. These New Options will not vest unless the Company exceeds its budget and the Company will need to significantly outperform its budget to achieve maximum vesting of New Options.
- to non-executive Directors, will vest at the end of a three-year period from the date of issue of the New Options, to the extent that specified share price hurdles are met over the three-year period.

Further details of the terms of the New Options are contained in the Employee Incentive Offer Invitation Letter which accompanies this Prospectus.

10 Additional Information

10.8 Performance Rights

The Board has determined to make initial grants of short-term incentives in the form of Performance Rights and rights to receive cash bonuses to selected employees of the Group under the Equity Incentive Plan shortly prior to Listing. Performance Rights are an entitlement to receive a Share for no consideration upon satisfaction of applicable vesting conditions and performance hurdles.

At Completion, the Company will have 1,995,955 Performance Rights on issue allocated to employees of the Group. A summary of the material terms and conditions of the Performance Rights which are being offered under this Prospectus is as follows:

- Performance Rights will be issued for nil consideration and will have a nil exercise price;
- Performance Rights will vest and be automatically exercised upon a recipient meeting the vesting conditions (as detailed below) and to the extent that the Company meets the relevant performance hurdles (also as detailed below);
- The vesting condition is that a recipient must remain an employee or director of the Company or one of its related companies up to and including when the relevant performance hurdle is satisfied;
- The performance hurdle shall be based on the Company achieving EBITDA and revenue targets for FY19; and
- Any unvested Performance Rights will automatically lapse on the expiry date, being one year from the date of issue of the Performance Rights.

The Board has also determined to grant cash bonuses to eligible employees of equal value to the Performance Rights granted to the relevant employee that will be paid upon the satisfaction of the same vesting conditions and performance hurdles applicable to Performance Rights.

The cash bonuses will not be payable and the Performance Rights will not vest unless the Company exceeds the Revenue and EBITDA in the Pro-forma Forecast Financial Information for FY19 as described in section 4. The Company will need to significantly outperform the Pro-forma Forecast Revenue and EBITDA to targets set out in this prospectus to require payment of cash bonuses and achieve vesting of all Performance Rights in full.

Further details of the Performance Rights are contained in the Employee Incentive Offer Invitation Letter which accompanies this Prospectus.

10.9 Escrow Arrangements

Certain Existing Shareholders will be restricted from dealing in their Shares under voluntary escrow agreements with the Company. The table below sets out the periods during which certain Shareholders are restricted from dealing in their Shares and Shares pursuant to the above restrictions immediately following Completion of the Offer.

Holder	Shares after Completion of the Offer	% of Share Capital upon Completion	Date
Jeromy Young	17,731,333	11.7%	24 months
Chris Tait	926,729	0.6%	12 months
Neil Chatfield	1,050,584	0.7%	12 months
Sir Hossein Yassaie	1,697,766	1.1%	12 months
Other Senior Management	748,704	0.5%	24 months
Other Management	64,233	0.0%	12 months
Other Employees	13,551,942	8.9%	6 months
Other Shareholders	33,506,692	22.1%	6 months
Total	**69,277,983**	**45.6%**	–

The Company anticipates entering into voluntary escrow agreed with additional shareholders over a further 52.0 million Shares, representing a total of 34.3% of the issued share capital at admission.

Shareholders that have agreed to voluntary escrow arrangements may be released early from those restrictions to enable:

- the Shareholder to accept an offer under a takeover bid in relation to their escrowed Shares, or to tender its Shares into a bid 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 held by the escrowed Shareholders, have accepted the takeover bid or tendered (and not withdrawn) their Shares into the bid acceptance facility;
- the escrowed Shares held by the escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act which has received all necessary approvals;
- the Shareholder to transfer those restricted securities in an off-market transaction to an entity the escrowed security holder controls, or following the escrowed security holder's death, or to the escrowed security holder's spouse or children, provided in each circumstance, the transferee enters into a deed under which it undertakes to be bound by the same escrow restrictions as the escrowed security holder; and
- the Shareholder to comply with an order of a court or regulatory authority of competent jurisdiction compelling any restricted securities to be disposed of or a security interest granted over them, or, to take an action with the prior consent of the Company where the action is necessary to alleviate financial hardship.

10 Additional Information

10.10 Ownership restrictions

The sale and purchase of shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 10.10 contains a general description of these laws.

10.10.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (FATA) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). In addition, FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A "direct interest" is an interest of 10% in the entity but may include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without a no objection notification or contravening a condition in a no objection notification.

10.10.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of relevant interests in issued voting shares in listed companies, and unlisted companies with more than 50 members, if, as a result of the acquisition, the acquirer's (or another party's) voting power in that company would increase from 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 either themselves or through an associate.

10.11 Australian taxation implications of investing under the Offer

Introduction

The tax implications provided below only relate to Australian Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders whose Shares are held on revenue account.

The comments in this Section 10.11 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances. Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer.

Australian tax considerations

This Section provides a general overview of the Australian income tax, capital gains tax (CGT), goods and services tax (GST) and stamp duty consequences for Australian tax resident investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) as at the Prospectus Date, which may change during the period that Shares are owned by Shareholders. This Section does not take into account the tax law of countries other than Australia.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws, nor to be relied upon as tax advice. It should be noted that the Australian taxation laws are complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is therefore recommended that both Australian resident and non-resident investors seek independent professional taxation advice, having regard to their own specific circumstances, in considering an investment in Shares through the Offer.

The categories of investors considered in this summary are limited to Australian tax resident individuals, companies and trusts (other than superannuation or pension funds), each of whom holds their shares on capital account.

This summary does not consider the consequences for investors who are insurance companies, superannuation or pension funds, banks, investors that hold their shares on revenue account or carry on a business of trading in shares, investors who acquired shares in connection with an employee share scheme, or investors who are non-residents for Australian tax purposes or are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or TOFA regime). Both resident and non-resident investors should seek professional advice to determine if Shares are held in this capacity (and the corresponding income tax implications should this apply).

Deloitte Tax Services Pty Ltd, a registered tax agent, has provided the tax comments below. Deloitte Tax Services Pty Ltd is not licensed under Chapter 7 of the Corporations Act to provide financial product advice. Taxation issues, such as those covered by this Section, are only some of the matters you need to consider when making a decision about a financial product. You should consider taking advice from someone who holds an AFSL before making such a decision.

10.11.1 Acquisition of the Shares

Each Share should be a separate CGT asset. For CGT purposes, the cost base (and reduced cost base) of each Share held by an Australian tax resident Shareholder should include the amount the Shareholder paid (or is required to pay) to acquire the Share, plus any incidental costs of acquisition.

10.11.2 Dividends on a Share

Dividends may be paid to Shareholders in respect of their Shares. "Franking credits" may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (i.e. the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian tax resident Shareholders are subject to tax at their applicable rate of tax on the unfranked dividends received.

The distribution statement for the dividends paid to Shareholders should advise of the franking status of the dividends.

10.11.2.1 Australian resident individuals

To the extent that the franking credits received by Shareholders that are Australian tax resident individuals exceeds the amount of total income tax payable, those Shareholders should be entitled to a refund from the ATO of any excess franking credits over and above total income tax payable in an income year. Where the franking credits are less than the tax payable on the dividends, those Shareholders will need to pay an additional amount of tax.

10.11.2.2 Trusts

In relation to Shareholders that are trusts (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes), such Shareholders should include any franking credits in determining the net income of the trust. The relevant beneficiary may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

In relation to trusts, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

10.11.2.3 Corporate Shareholders

Shareholders that are Australian tax resident companies (including those which are deemed to be companies) are also entitled to a tax offset equal to the amount of franking credits received, however unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its Shareholders.

10.11.2.4 Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, two tests must be satisfied, namely the holding period rule and the related payment rule.

The holding period rule requires a Shareholder to hold the Shares "at risk" for at least 45 days continuously in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the day on which the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payments rule, a different testing period applies where the Shareholder, or an associate of the Shareholder, is under an obligation to, or may reasonably be expected to, pass the benefit of a dividend to another person. The related payment rule requires the Shareholder to have held the Shares "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) during the period which commences on the 45th day before, and ends on the 45th day after the day on which the Shares become ex-dividend.

Broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, by entering into option and derivative agreements, or agreements to sell the Shares).

As indicated previously, the qualified person rules can be particularly complex for distributions received by a Shareholder indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent tax advice.

10.11.2.5 Integrity rules

A specific integrity rule prevents taxpayers from obtaining a tax benefit from franking credits where dividends are received as a result of "dividend washing". Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX ex-dividend and then effectively re-purchasing a substantial equivalent parcel of shares cum-dividend on a special ASX trading market.

Shareholders should consider the impact of these provisions (and other dividend tax integrity provisions) having regard to their own personal circumstances.

10.11.3 Taxation of Share disposals

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the CGT provisions in respect of the disposal of their Shares.

Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will derive a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, amongst other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are aggregated. To the extent that a net gain exists, such Shareholders should be able to reduce the net gain by any amount of unapplied net capital losses or revenue losses carried forward from previous income years (provided the relevant loss recoupment tests are satisfied) or current year revenue or capital losses. Any remaining net gain (after the application of any carried forward tax losses or current year revenue losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and, subject to the comments below, taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss should only be deductible against capital gains and are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for more than 12 months or more prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder, after offsetting any current or carried forward losses. The concession is not available to corporate Shareholders (including those deemed to be companies).

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

Australian tax resident investors who hold Shares on revenue account should seek separate independent professional advice.

10.11.4 Foreign Resident Capital Gains Tax Withholding (FRCGW)

Rules have been enacted which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2016. The current non-final withholding tax rate is 12.5%. The regime applies to any transaction involving the acquisition of the legal ownership of an asset that is taxable Australian real property, an indirect Australian real property interest (such as membership in a "land rich" company or trust) or an option or right to acquire such property or such an interest from a "relevant foreign resident".

10.11.4.1 Future disposal via ASX

The FRCGW rules should not apply to the disposal of Shares on the ASX (in accordance with a specific exemption).

10.11.5 Tax File Number (TFN) and Australian Business Number (ABN)

An Australian tax resident Shareholder is not obliged to quote a TFN, or where relevant, ABN, to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45% plus Medicare levy of 2%) from certain dividends paid. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns. No withholding requirement applies in respect of fully franked dividends paid in respect of the Shares.

10.11.6 Stamp duty

No stamp duty should be payable by a Shareholder on the acquisition or disposal of Shares. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the Company remains listed on the ASX (and provided the acquisition is less than 90% of the Shares in the Company).

10.11.7 Goods and services tax (GST)

Under current Australian GST law, GST is not applicable to the acquisition or disposal of Shares. The ability of Shareholders to recover any GST incurred as an input tax credit in relation to costs associated with the Offer (such as costs relating to professional advice obtained by Shareholders regarding the Offer) would vary according to individual circumstances and as such this should be reviewed by Shareholders prior to making any claim.

No GST should be payable by Shareholders on receiving dividends (or other distributions) paid by the Company.

10.12 Interests of experts and advisers

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Henslow Pty Limited and Morgans Corporate Limited have acted as Joint Lead Managers to the Offer. The Company has paid or agreed to pay the fees set out in Section 10.13 to the Joint Lead Managers under the Underwriting Agreement.

Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant and provided the Investigating Accountant's Report in Section 7. The Company has paid or agreed to pay an amount of approximately $200,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with time-based charges.

Deloitte Tax Services Pty Ltd has acted as the provider of tax due diligence services in connection with the Offer and assisted the Company with the preparation of Section 10.11 of this Prospectus. The Company has paid or agreed to pay an amount of approximately $60,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Deloitte Tax Services Pty Ltd in accordance with time-based charges.

Maddocks has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately $330,000 (plus disbursements and GST) up to the date of this Prospectus in respect of these services. Further amounts may be paid to Maddocks in accordance with its normal time-based charges.

The Company will pay these amounts and other expenses of the Offer out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of the expenses of the Offer is set out in Section 8.4.

10.13 Offer expenses

A Summary of the Offer costs is set out below:

Offer Costs (including estimated unrecoverable GST)	A$'000
Joint Lead Manager fees	369
Legal fees	418
Investigating accountant fees	220
Tax due diligence fees	66
ASX Listing fee	141
Total	**1,214**

10.14 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Henslow Pty Limited has consented to being named as Joint Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Henslow Pty Limited;
- Morgans Corporate Limited has consented to being named as Joint Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Morgans Corporate Limited;
- Deloitte Corporate Finance Pty Limited has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Report in Section 7 in the form and context in which it appears;
- Deloitte Touche Tohmatsu has consented to being named in the Corporate Directory of this Prospectus as the Company's Auditor in the form and context in which it appears;
- Deloitte Tax Services Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the tax due diligence service provider to the Company and the provider of the taxation wording in Section 10.11 of this Prospectus, but it does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on any statement by Deloitte Tax Services Pty Ltd;

- Maddocks has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Maddocks;
- Boardroom Pty Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

10.15 ASX and ASIC waivers and confirmations

The Company has applied to ASIC for certain relief from, and modifications to the following provisions of the Corporations Act:

- relief from section 606 so that the takeovers provisions of the Corporations will not apply to certain relevant interests that the Company would otherwise acquire in those Shares held by Escrowed Shareholders by reason of the voluntary escrow arrangements in relation to those Shares as described in Section 10.9; and
- modification of section 707(3) 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.

The Company has obtained in-principle advice from ASX regarding the following waivers and confirmations:

- confirmation that the mandatory escrow restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B do not apply to the Company as it has a track record of revenue acceptable to ASX; and
- waiver of Listing Rule 1.1 condition 12 to the extent necessary to permit the Company to have on issue 1,106,292 Performance Rights that have an exercise price of less than $0.20.

10.16 Legal proceedings

With the exception of a potential dispute with RED.com LLC (refer section 5.1.9), to the knowledge of the Directors, at the Prospectus Date there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved, which the Company believes is likely to have a material impact on the business or the financial results of the Company.

10.17 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.18 Governing law

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

10.19 Statement of Directors

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

11 Defined Terms

11 Defined Terms

In this Prospectus:

AEDT	Australian Eastern Daylight Time.
AIFRS	Australian International Financial Reporting Standards.
AFSL	Australian Financial Services Licence.
Allotment Date	The date on which the Shares are allotted under the Offer.
Apple ProRes	A high-quality video compression format developed by Apple Inc. for use in post-production.
Applicant	A person who submits a valid Application Form and required Application Amount pursuant to this Prospectus.
Application	An application for Shares under this Prospectus.
Application Amount	Money submitted by Applicants under the Offer.
Application Form	The application form attached to or accompanying this Prospectus for investors to apply for Shares under the Offer.
ASIC	The Australian Securities and Investments Commission.
ASIC	Application-Specific Integrated Circuit.
Associate	Has the meaning ascribed to that term in the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the market it operates, as the context requires.
ASX Corporate Governance Principles	The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus.
ASX Listing Rules	The official Listing Rules of ASX as amended or waived and applicable to the Company from time to time.
ATO	The Australian Taxation Office.
Atomos or Company	Atomos Limited (ACN 139 730 500).
Avid DNx	Avid Digital Nonlinear Extensible.
Board	The board of directors of the Company.
Broker	Any ASX participating organisation selected by the Joint Lead Managers in consultation with the Company to act as a broker to the Offer.
Broker Firm Offer	Has the meaning ascribed to that term in Section 8.6.
CGT	Capital Gains Tax.
CHESS	Clearing House Electronic Subregister System.
Closing Date	The date that the Offer closes.
Company or Atomos	Atomos Limited (ACN 139 730 500).

11 Defined Terms

Completion	The completion of the Offer, being the date upon which Shares are issued to successful Applicants in accordance with the terms of the Offer.
Constitution	The constitution of the Company.
Convertible Notes	The convertible notes issued by the Company in 2017 and 2018 which will convert into Shares or be redeemed shortly prior to Listing.
Corporations Act	The *Corporations Act 2001* (Cth).
Directors	The directors (including any alternate directors) of the Company as at the date of this Prospectus.
EFIC Facility	Export Finance and Insurance Corporation Facility.
Employee Incentive Offer	The offer of Performance Rights and New Options under the Equity Incentive Plan to certain employees, directors and members of senior management of the Group as described in Section 8.8.
Employee Incentive Offer Invitation Letter	An invitation to participate in the Employee Incentive Offer.
Employee Incentive Plans	The Equity Incentive Plan and the Existing Plan.
Equity Incentive Plan	The Company's Equity Incentive Plan.
Existing Options	The options issued by the Company under the Existing Plan on the terms set out in Section 6.8.1.
Existing Plan	The Company's current Employee Share and Option Plan.
Existing Shareholders	A person holding Shares as at the Prospectus Date.
Exposure Period	The seven-day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable)).
Group	Atomos Limited and each of its Subsidiaries
HDMI	High Definition Multimedia Interface.
HDR	High Dynamic Range or High Brightness Range.
IC	Integrated Circuit.
Institutional Investors or Institutional Applicants	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), and excluding a retail client within the meaning of section 761G of the Corporations Act.
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 8.7.
Joint Lead Managers	Henslow Pty Limited and Morgans Corporate Limited.
Kenling	Kenling Electronics Co. Ltd.

Key Executives	Jeromy Young, James Cody and Trevor Elbourne.
LCD	Liquid Crystal Display.
Listing	Admission of the Company to the official list of ASX.
New Options	The options to be issued by the Company under the Equity Incentive Plan on the terms set out in Section 10.7.
Offer	The offer of Shares to raise $6 million.
Offer Period	The period during which investors may subscribe for Shares under the Offer.
Offer Price	The subscription price per Share under the Offer.
Option	An option to acquire Shares in the Company (as described in sections 10.6 & 10.7 of this Prospectus).
Performance Rights	The performance rights to be issued by the Company under the Equity Incentive Plan being rights to subscribe for Shares on the terms set out in Section 10.8.
ProRes RAW Licence Agreement	The Licence Agreement between Atomos and Apple as described in Section 9.3.2.
Prospectus	This Prospectus dated 30 November 2018, for the issue of Shares to raise $6.0m (including the electronic form of that Prospectus).
Prospectus Date	The date on which the Prospectus was lodged with ASIC, being 30 November 2018.
Prosumers	Consumers who purchase products targeted at professionals.
RED	RED.com, LLC.
Retail Applicant	An Applicant who is not an Institutional Applicant.
SD	Secure Digital.
SDI	Serial Digital Interface.
Security	Includes a Share which is the subject of the Offer and any other right, or any other equity interest in the Company.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A registered holder of a Share.
Share Registry	Boardroom Pty Limited.
SoC	System on Chip.
SSD	Solid State Drive.
Subscription Price	The amount payable by Applicants to the Company for the issue of Shares under the Offer being $0.41 per Share.
Xilinx	Xilinx, Inc.

12 Appendix 1 – Significant Accounting Policies

12 Appendix 1 – Significant Accounting Policies

The following summary represents the significant accounting policies adopted in the preparation of the Company's annual consolidated financial statements. These policies have been applied in the preparation of the Financial Information disclosed in this Prospectus.

12.1 Basis of preparation

The Company's consolidated financial statements are prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

12.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company's consolidated group are eliminated in full on consolidation.

12.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed at which time all the following conditions are satisfied:

- *the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;*
- *the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;*
- *the amount of revenue can be measured reliably;*
- *it is probable that the economic benefits associated with the transaction will flow to the Company; and*
- *the costs incurred or to be incurred in respect of the transaction can be measured reliably.*

12.4 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12 Appendix 1 – Significant Accounting Policies

12.5 Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars ($AUD).

Foreign currency transactions and balances

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary terms.

The assets and liabilities of the Company's foreign operations are translated into Currency Units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

12.6 Employee benefits

Short-term and other long-term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

12.7 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 expressed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company 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.

12.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying mount of its assets and liabilities.

12.9 Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets to their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following depreciation rates are applied:

- Plant & equipment: 10 – 33%
- Motor vehicles: 25%

12.10 Intangible assets

Intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets generated internally comprised capitalised product development costs and are recognised when all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

These costs represent intangible assets not yet available for use. The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

12 Appendix 1 – Significant Accounting Policies

12.11 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually, inclusive of whenever there is an indication that the asset may be impaired. For the purposes of assessing impairment, one cash generating unit, being the Company has been identified.

12.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are valued at weighted average costing. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

12.13 Provisions

Provisions are recognised when the Company as a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

12.14 Financial Instruments

Financial assets and financial liabilities are recognised when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

12.15 Financial assets

Financial assets are representative of 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method (except for any short-term receivables where the effect of discounts is immaterial), less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

12.16 Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised as the proceeds received, net of direct issue costs.

Compound and Derivative Financial Instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as a financial liability and derivative in accordance with the substance of the contractual arrangements and the definitions of a financial liability and derivatives.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

12 Appendix 1 – Significant Accounting Policies

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

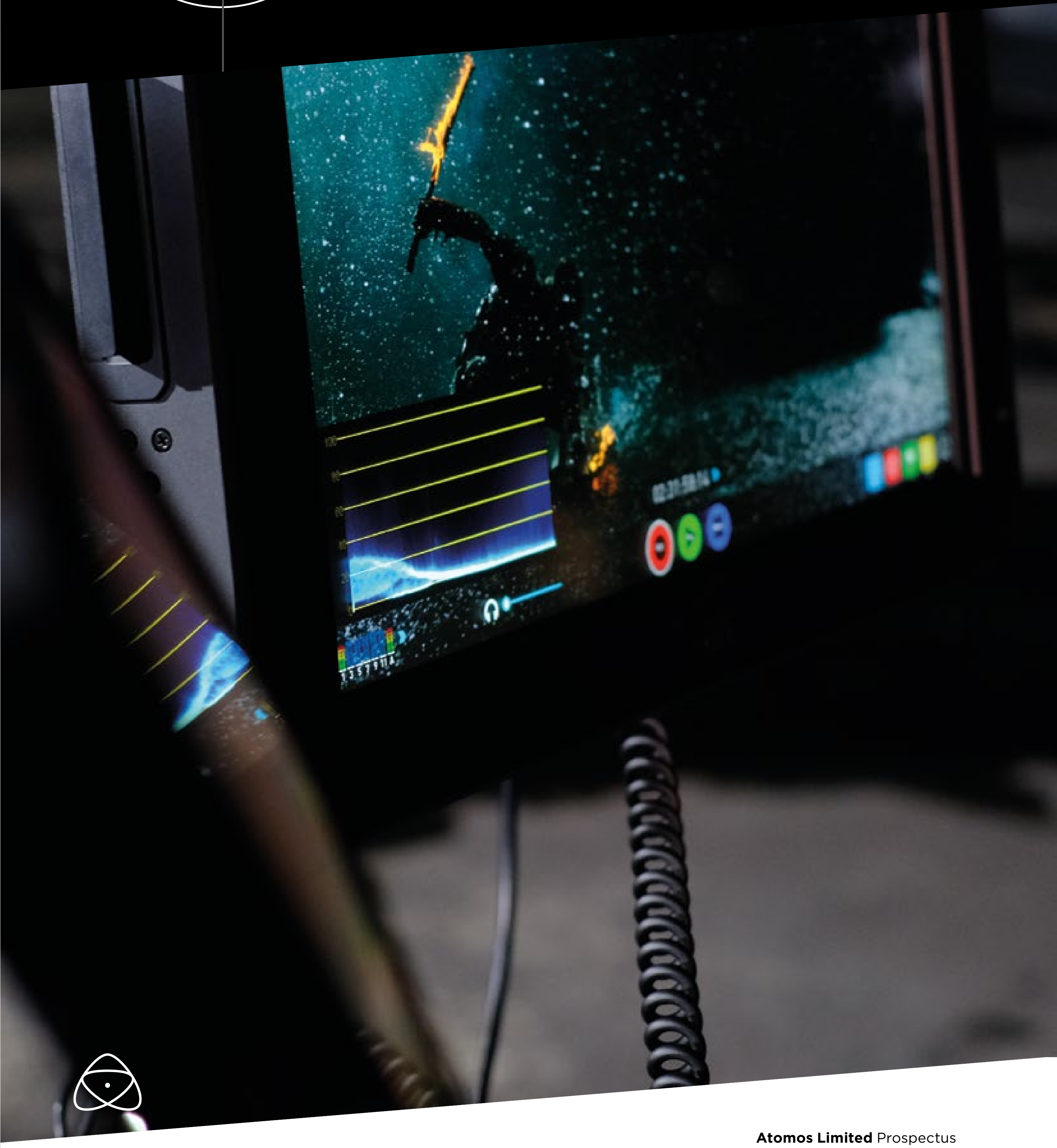
Other financial liabilities

Other financial liabilities representing trade and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

13

Appendix 2 – Atomos Registered IP



13 Appendix 2 – Atomos Registered IP

13.1 Trade marks

No.	Trade Mark	Registered Owner	Registration Number	Country	Status
1.	Word: ATOMOS	Atomos IP Pty Ltd	1704959	Australia	Registered
			1403950	Australia	Registered
			30338404	China*	Pending
			30345957	China*	Pending
			1280362	European Community*	Registered
			1280362	Japan*	Pending
			1280362	Madrid Protocol (TM)*	Registered
			79/179220	United States of America*	Accepted
2.	ATOMOS Symbol:	Atomos IP Pty Ltd	1704961	Australia	Registered
			1291175	China*	Registered
			1291176	European Community*	Registered
			1291175	Japan*	Registered
			1291175	Madrid Protocol (TM)*	Registered
			5314155	United States of America*	Registered
3.	ATOMOS and Symbol: ATOMOS	Atomos IP Pty Ltd	1704968	Australia	Accepted
			30331665	China*	Pending
			30327328	China*	Pending
			1291175	European Community*	Registered
			1291176	Japan*	Pending
			1291176	Madrid Protocol (TM)*	Registered
			5319163	United States of America*	Registered

No.	Trade Mark	Registered Owner	Registration Number	Country	Status
4.	Word, Device: REC PLAY MON EDIT	Atomos IP Pty Ltd	1855883	Australia	Pending
				Madrid Protocol (TM)*	Pending
			1421954	China*	Pending
			1421954	European Community*	Pending
			1421954	Japan*	Pending
			79240354	United States of America*	Pending
5.	Word: ATOMOS NINJA	Atomos IP Pty Ltd	1486883	Australia	Registered
				Madrid Protocol (TM)	Pending
			1426543	China	Pending
			1426543	European Community	Accepted
			1426543	Japan	Pending
			7924227	United States of America	Pending
6.	Word: SHOGUN	Atomos IP Pty Ltd	1646747	Australia	Pending
			1281671	China*	Accepted
			1281671	European Community*	Registered
			1281671	Japan*	Registered
			1281671	Madrid Protocol (TM)*	Registered
			5303693	United States of America*	Registered

13 Appendix 2 – Atomos Registered IP

No.	Trade Mark	Registered Owner	Registration Number	Country	Status
7.	Word: EMPEROR	Atomos IP Pty Ltd	1727801	Australia	Registered
			1321241	China	Designation Pending
			1321241	European Community	Designation Protected (Registered)
			1321241	Japan	Pending
			1321241	Madrid Protocol (TM)	Registered
			79204850	United States of America	Accepted
8.	Word: SAMURAI BLADE	Atomos IP Pty Ltd	1727801	Australia	Registered
			1321241	China*	Pending
			1321241	European Community*	Registered
			1321241	Japan*	Pending
			1321241	Madrid Protocol (TM)*	Registered
			79204850	United States of America*	Accepted
9.	Word: NINJA STAR	Atomos IP Pty Ltd	1727803	Australia	Registered
			1323400	China*	Registered
			1323400	European Community*	Registered
			1323400	Japan*	Pending
			1323400	Madrid Protocol (TM)*	Registered
			79/198085	United States of America*	Accepted

No.	Trade Mark	Registered Owner	Registration Number	Country	Status
10.	Word: SHOGUN STUDIO	Atomos IP Pty Ltd	1727808	Australia	Registered
			1325169	China*	Pending
			1325169	European Community*	Registered
			1325169	Japan*	Registered
			1325169	Madrid Protocol (TM)*	Registered
			79/198887	United States of America*	Registered
11.	Word: NINJA BLADE	Atomos IP Pty Ltd	1727802	Australia	Pending
			1330120	China*	Pending
			1330120	Madrid Protocol (TM)*	Registered
12.	Word: NINJA ASSASSIN	Atomos IP Pty Ltd	1727818	Australia	Registered
			1323525	China*	Registered
			1323525	European Community*	Registered
			1323525	Japan*	Pending
			1323525	Madrid Protocol (TM)*	Registered
13.	Word: NINJA 2	Atomos IP Pty Ltd	1727824	Australia	Pending
			1325389	European Community*	Registered
			1325389	Madrid Protocol (TM)*	Registered
14.	Word: AtomIC	Atomos IP Pty Ltd	1735182	Australia	Registered
			1353977	China*	Pending
			1353977	European Community*	Registered
			1353977	Japan*	Pending
			1353977	Madrid Protocol (TM)*	Registered
			79211611	United States of America*	Pending

13 Appendix 2 – Atomos Registered IP

No.	Trade Mark	Registered Owner	Registration Number	Country	Status
15.	Word: ATOMOS SHOGUN	Atomos IP Pty Ltd	1909919	Australia	Pending
			1944628	Australia	Pending
16.	Word: SHOGUN INFERNO	Atomos IP Pty Ltd	1760336	Australia	Pending
17.	Word: MASTER CADDY	Atomos IP Pty Ltd	1403951	Australia	Registered
18.	Word: NINJA INFERNO	Atomos IP Pty Ltd	1760338	Australia	Registered
19.	Word: SHOGUN FLAME	Atomos IP Pty Ltd	1760340	Australia	Pending
20.	Word: NINJA FLAME	Atomos IP Pty Ltd	1760342	Australia	Registered
21.	Word: ATOMOS EMPEROR	Atomos IP Pty Ltd	31639514	China	Pending

* These registrations are in the name Tetsuwan Pty Ltd but have been assigned to Atomos IP Pty Ltd by way of a Purchase Agreement executed in late 2017. The registration of these assignments to Atomos IP Pty Ltd is underway.

13.2 Patents

No.	Patent	Registered Owner	Registration Number	Country	Status
1.	Electronic Device – A video conversion device can be connected to a conventional video camera battery pack.	Tetsuwan Pty Ltd Assigned to Atomos IP Pty Ltd under Deed of Assignment	2012307087	Australia	Accepted

Corporate Directory

Company

Atomos Limited

29 Nott Street
Port Melbourne, Victoria 3207
Phone: (+61) (3) 9999 5908
Email: info@atomos.com
Web: www.atomos.com

Directors

Chris Tait
Non-executive Chairman

Jeromy Young
Managing Director and CEO

Neil Chatfield
Independent Non-executive Director

Sir Hossein Yassaie
Independent Non-executive Director

Registered Office

29 Nott Street
Port Melbourne, Victoria 3207

Proposed ASX Code

AMS

Auditor

Deloitte Touche Tohmatsu

550 Bourke Street
Melbourne VIC 3000

Investigating Accountant

Deloitte Corporate Finance Pty Limited

550 Bourke St
Melbourne VIC 3000

Joint Lead Managers

Henslow Pty Limited

Level 7, 333 Collins St
Melbourne VIC 3000

Morgans Corporate Limited

Level 28, 367 Collins St
Melbourne VIC 3000

Australian Legal Adviser

Maddocks Lawyers

Level 27, Angel Place
Sydney NSW 2000

Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney, NSW 2000

Tax Adviser

Deloitte Tax Services Pty Ltd

550 Bourke St
Melbourne VIC 3000

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