

HomeStay Care Limited

ACN 111 823 762

Prospectus

Offers

For the offer of:

- (a) 100,000 Shares at an issue price of \$0.005 each to remove trading restrictions on Shares issued without disclosure under Part 6D of the Corporations Act on or before the Closing Date (**Cleansing Offer**);
- (b) 10,000,000 Options each exercisable at \$0.015 each on or before the date that is 3 years from the date of issue (**Advisor Options Offer**); and
- (c) 2,000,000 Options each exercisable at \$0.05 each on or before the date that is 24 months from the date of issue (**Ambassador Options Offer**),

(together, the **Offers**).

Important

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This is an important document that should be read in its entirety. Please read the instructions in this Prospectus and the relevant Application Form regarding applying under an Offer. Investors who do not understand this document should consult their stockbroker, lawyer, accountant or other professional adviser before deciding to apply for Securities under an Offer. The Securities offered under this Prospectus should be considered highly speculative.

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Important Information

General

This Prospectus is issued by HomeStay Care Limited ACN 111 823 762 (**Company**).

The Prospectus is dated 28 January 2020 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX take responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

This Prospectus is a transaction specific prospectus for offers of continuously quoted securities (as defined in the Corporations Act) and options to acquire continuously quoted securities, and has been prepared in accordance with section 713 of the Corporations Act.

No securities will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Securities pursuant to an Offer must do so using the relevant Application Form attached to or accompanying this Prospectus. Before applying for Securities, investors should carefully read this Prospectus so that they can make an informed assessment of the rights and liabilities attaching to the Securities, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects.

Any investment in the Company should be considered highly speculative. Investors who do not understand this document should consult their stockbroker, lawyer, accountant or other professional adviser before deciding to apply for Securities under an Offer.

No person is authorised to give any information or to make any representation in relation to an Offer which is not contained in this Prospectus. Any such information or representations may not be relied upon as having been authorised by the Directors.

Prospectus availability

ASIC has confirmed that the Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

A copy of this Prospectus can be downloaded from the Company's website at <https://homestay.care/>. There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 8 6188 8181.

Risk factors

Before deciding to invest in the Company, investors should read the entire Prospectus and in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Securities offered by this Prospectus should be considered highly speculative. Refer to Section 4, which details certain risk factors considered to be relevant for the purposes of the Offers.

Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website at www.asx.com.au). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Prospectus and do not constitute part of the Offers. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in Securities or the Company.

Financial amounts

All references in this Prospectus to "\$", "A\$", "AUD", "dollars" or "cents" are references to Australian currency unless otherwise stated.

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

Definitions and time

A number of terms and abbreviations used in this Prospectus have defined meanings which are set out in Section 7.

All references to time relate to the time in Perth, Western Australia unless otherwise stated or implied.

Governing law

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.

Corporate directory

Directors

Wayne Cahill
Non-Executive Chairman

Graham Russell
Managing Director

Shannon Robinson
Executive Director

Sara Kelly
Non-Executive Director

Company Secretary

Melanie Ross

ASX Code

HSC

Legal Adviser

Edwards Mac Scovell
Level 7, 140 St Georges Terrace
Perth WA 6000

Principal Place of Business

Level 2, 22 Mount Street
Perth WA 6000

Registered Office

Level 2, 22 Mount Street
Perth WA 6000

Telephone: +61 8 6188 8181

Fax: +61 8 6188 8182

Website: <https://homestay.care/>

Share Registry*

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000

Auditor*

RSM Australia Partners
Level 32, 2 The Esplanade
Perth WA 6000

**This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.*

1. Timetable

The indicative timetables for each of the Offers is as follows:

Event	Date
Lodgement of a copy of this Prospectus with ASIC and ASX	28 January 2020
Opening Date of Offers	28 January 2020
Closing Date of Advisor Options Offer	5:00pm (AWST) on 3 February 2020
Closing Date of Ambassador Options Offer	5:00pm (AWST) on 3 February 2020
Closing Date of Cleansing Offer	5:00pm (AWST) on 3 February 2020

Note: The above timetable is indicative only. The Company reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates, including by extending the Closing Dates or accepting late applications, either generally or in particular cases, without notice.

2. Details of the Offers

2.1 Cleansing Offer

Under the Cleansing Offer, the Company is offering 100,000 Shares at an issue price of \$0.005 each. The Cleansing Offer is open to persons by invitation from the Company only.

The Cleansing Offer has no minimum subscription.

Details specific to the Cleansing Offer are set out in this Section 2.1.

(a) Shares

The Shares offered under the Cleansing Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to the Shares is set out in Section 5.3.

(b) Purpose

The purpose of the Cleansing Offer is not to raise funds. Instead, its purpose is to remove trading restrictions on Shares issued without disclosure under Part 6D of the Corporations Act on or before the Cleansing Offer Closing Date, including those Shares to be issued on exercise of Options or Performance Rights.

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to offer those securities for sale within 12 months of their issue.

Relevantly, section 708A(11)(b) provides that a sale offer does not need disclosure to investors if:

- (i) the relevant securities are in a class of securities of the company that are already quoted on the ASX;
- (ii) a prospectus is lodged with ASIC either:
 - (A) on or after the day on which the relevant securities were issued; or
 - (B) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (iii) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

(c) Cleansing Offer period

The Cleansing Offer will open on the Opening Date and close on the Cleansing Offer Closing Date.

(d) ASX quotation

The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the Shares offered under this Prospectus. If the Shares offered under this Prospectus are not admitted to quotation within 3 months after the date of this

Prospectus, the Company will not issue any Shares and will repay all Application Monies without interest as soon as practicable.

(e) **Application Monies and payment**

Payments for applications made through the Application Form for the Cleansing Offer can only be made by cheque. Cheques must be made payable to “**Homestay Care Limited**” and drawn on an Australian bank and expressed in Australian currency and crossed “Not Negotiable”.

All Application Monies for Shares to be issued pursuant to the Cleansing Offer will be held in trust on behalf of applicants until the Shares are issued or, if the Shares are not issued, until the Application Monies are returned to applicants. All interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

Completed Application Forms and accompanying cheques must be received by the Company before the Closing Date by being posted or delivered to the address set out on the Application Form.

2.2 **Advisor Options Offer**

On 14 January 2020, the Company obtained Shareholder approval for the issue to Taylor Collison Limited (**Taylor Collison**) (or its nominee) of 10,000,000 Options exercisable at \$0.015 each on or before the date that is three years from the date of issue, and otherwise on the terms and conditions set out in Section 5.4 (**Advisor Options**), in accordance with an underwriting agreement between the Company and Taylor Collison entered into on 9 October 2019 (the material terms of which are set out in the Notice of Meeting announced on 13 December 2019 (**Notice of General Meeting**)).

The Company is offering the Advisor Options under the Advisor Options Offer. The Advisor Options Offer is open to persons by invitation from the Company only. The Advisor Options are being issued for nil cash consideration and therefore no payment is required to accompany the Application Form.

The Advisor Options Offer has no minimum subscription.

The Advisor Options Offer will open on the Opening Date and close on the Advisor Options Offer Closing Date.

The Company will not apply for quotation of the Advisor Options.

2.3 **Ambassador Options Offer**

On 14 January 2020, the Company obtained Shareholder approval for the issue to Sam Kekovich (or his nominee) of 2,000,000 Options exercisable at \$0.05 each on or before the date that is 24 months from the date of issue, and otherwise on the terms and conditions set out in Section 5.5 (**Ambassador Options**), in accordance with a brand ambassador agreement between the Company and Mr Kekovich dated 15 February 2019 (the material terms of which are set out in the Notice of General Meeting). The Company terminated the brand ambassador agreement in September 2019.

The Company is offering the Ambassador Options under the Ambassador Options Offer. The Ambassador Options Offer is open to persons by invitation from the Company only. The Ambassador Options are being issued for nil cash consideration and therefore no payment is required to accompany the Application Form.

The Ambassador Options Offer has no minimum subscription.

The Ambassador Options Offer will open on the Opening Date and close on the Ambassador Options Offer Closing Date.

The Company will not apply for quotation of the Ambassador Options.

2.4 Applications

An application under an Offer may only be made by a person on invitation from the Company using the relevant Application Form accompanying this Prospectus. An Application Form must be completed in accordance with the instructions set out on the back of the form.

The return of an Application Form will be taken by the Company to constitute a representation by the applicant that it:

- (a) has received a completed and unaltered printed or electronic copy of this Prospectus accompanying the form and has read it in full;
- (b) agrees to be bound by the terms of this Prospectus and the Constitution;
- (c) has obtained all necessary approvals and complied with all relevant laws and regulations for the purposes of Section 2.5 (to the extent that they are applicable) and confirms its eligibility in respect of an offer of Securities under the relevant Offer;
- (d) declares that all details and statements in the Application Form are complete and accurate;
- (e) declares that it is over 18 years of age and has full legal capacity and power to perform all of its rights and obligations under the Application Form;
- (f) acknowledges that once the Application Form is returned and, if applicable, payment of the corresponding Application Monies is made, this constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form;
- (g) agrees to being issued the number of new Securities that it applies for (or such other number issued in accordance with this Prospectus);
- (h) authorises the Company to register it as the holder(s) of the Securities issued to it under the relevant Offer;
- (i) acknowledges that the information contained in this Prospectus is not investment advice or a recommendation that the Securities are suitable for it, given its investment objectives, financial situation or particular needs; and
- (j) authorises the Company and its officers or agents to do anything on its behalf necessary for the new Securities to be issued to it, including correcting any errors in its Application Form or other form provided by it and acting on instructions received by the Share Registry using the contact details in the Application Form.

The Company reserves the right to close an Offer early, subject to compliance with ASX Listing Rules.

2.5 Applicants outside Australia

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation.

No action has been taken to register this Prospectus or otherwise to permit an offering of securities in any jurisdiction outside Australia. It is the responsibility of non-Australian resident

investors to obtain all necessary approvals and comply with all relevant laws and regulations for the issue to them of securities offered pursuant to this Prospectus. Return of an Application Form will constitute a representation and warranty that there has been no breach of such laws and regulations.

2.6 Capital raising fees

No capital raising fees will be paid in relation to applications under any Offer.

2.7 Issues of Securities

The issue of Securities under this Prospectus will occur on or about the Closing Date of the Offer under which the relevant Securities is made. In relation to the Cleansing Offer, the Directors will determine the recipients of all the Shares. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for under the Cleansing Offer.

2.8 CHESS and issuer sponsorship

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers make up the Company's register of Securities.

The Company will not issue certificates to security holders. Rather, holding statements (similar to bank statements) will be dispatched to security holders as soon as practicable after allotment. Holding statements will be sent either by CHESS (for security holders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for security holders who elect to hold their Securities on the issuer sponsored sub-register). The statements will set out the number of Securities allotted under this Prospectus and the Holder Identification Number (for security holders who elect to hold Shares on the CHESS sub register) or Shareholder Reference Number (for security holders who elect to hold their Securities on the issuer sponsored sub-register). Updated holding statements will also be sent to each security holder following the month in which the balance of their security holding changes, and also as required by the Listing Rules and the Corporations Act.

2.9 Privacy disclosure

Persons who apply for Securities pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for securities, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for securities will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

2.10 Taxation

It is the responsibility of all investors to satisfy themselves of the particular taxation treatment that applies to them in relation to an Offer, by consulting their own professional tax advisers. Neither the Company nor the Directors accept any liability or responsibility in respect of the taxation consequences of the matters referred to in this Prospectus.

3. Effect of the Offers

3.1 Capital structure

The effect of the Offers on the capital structure of the Company is set out below.

Security	Number
Shares¹	
Shares on issue as at the date of this Prospectus	1,655,386,397 ²
Shares offered under the Cleansing Offer ³	100,000
Total Shares on issue on completion of the Offers	1,655,486,397⁴
Options	
Options on issue as at the date of this Prospectus ⁵	94,486,188
Options to be issued under the Advisor Options Offer ⁶	10,000,000
Options to be issued under the Ambassador Options Offer ⁷	2,000,000
Total Options on issue on completion of the Offers	106,486,188
Performance Rights	
Performance Rights on issue as at the date of this Prospectus	50,000,000 ⁸
Performance Rights to be issued under this Prospectus	Nil
Total Performance Rights on issue on completion of the Offers	50,000,000¹⁶

Notes:

1. The rights and liabilities attached to Shares are summarised in Section 5.3.
2. 167,000,000 Shares are subject to escrow until 19 November 2020, 80,000,000 Shares are subject to voluntary escrow until 3 December 2020 and 20,000,000 Shares are subject to voluntary escrow until 28 January 2021. The Company anticipates that it will issue an additional 20,000,000 Shares to an employee prior to the Cleansing Offer Closing Date, which Shares will be subject to voluntary escrow for a period of 12 months from their date of issue.
3. These Shares are being offered for the purpose set out in Section 2.1(b).
4. An additional 200,000,000 Shares will be issued to the former shareholders of HomeStay Care Pty Ltd (**Vendors**) as deferred consideration under the Acquisition Agreement as follows (as approved by Shareholders at the Company's general meeting held on 23 August 2018):
 - a. 50,000,000 Shares to be issued to the Vendors upon HomeStay Care Pty Ltd (and its subsidiaries) (**HomeStay Group**) generating cumulative revenue of \$3,000,000 by 19 November 2021;
 - b. 50,000,000 Shares to be issued to the Vendors upon the HomeStay Group generating cumulative revenue of \$6,000,000 by 19 November 2022;
 - c. 50,000,000 Shares to be issued to the Vendors upon the HomeStay Group generating cumulative revenue of \$9,000,000 by 19 May 2023; and
 - d. 50,000,000 Shares to be issued to the Vendors upon the HomeStay Group generating cumulative revenue of \$12,000,000 by 19 November 2023,(together the **Deferred Consideration Shares**).
5. The terms of these Options are set out in the table below.

Terms	Number
Options exercisable at \$0.246 on or before 23 June 2020	2,486,188
Options exercisable at \$0.03 on or before 13 November 2023 (escrowed until 19 November 2020)	80,000,000
Options exercisable at \$0.05 on or before 1 August 2022	4,000,000
Options exercisable at \$0.065 on or before 1 February 2023 (vesting 1 February 2020)	4,000,000
Options exercisable at \$0.09 on or before 1 February 2024 (vesting 1 February 2021)	4,000,000
Total	94,486,188

6. The Company obtained Shareholder approval at its general meeting held on 14 January 2020 (**General Meeting**) for the issue to Taylor Collison (or its nominee) of 10,000,000 Options exercisable at \$0.015 each on or before the date that is three years from the date of issue, in consideration for services provided by Taylor Collison to the Company. Refer to Resolution 4 of the Notice of General Meeting for further information. These Advisor Options are being offered under the Advisor Options Offer.
7. The Company obtained Shareholder approval at its General Meeting for the issue to Sam Kekovich (or his nominee) of 2,000,000 Options exercisable at \$0.05 each on or before the date that is 24 months from the date of issue, in consideration for services provided by Sam Kekovich to the Company. Refer to Resolution 8 of the Notice of General Meeting for further information. These Ambassador Options are being offered under the Ambassador Options Offer.
8. Issued pursuant to the Company's Incentive Performance Rights Plan (**Plan**) as approved by Shareholders. Each Performance Right vests as follows
 - a. 25,000,000 vesting on \$2,000,000 of revenue being received by the Company during any period between 3 December 2019 and 31 December 2020; and
 - b. 25,000,000 vesting on \$3,000,000 of revenue being received by the Company during any period between 3 December 2019 and 31 December 2020,
and is otherwise on the terms and conditions set out in Schedule 2 of the Notice of General Meeting.

3.2 Control

The Offers will not have a material impact on control of the Company.

3.3 Cash reserves

After paying expenses of the Offers of approximately \$15,500 (exclusive of GST), there will be no net proceeds from the Offers. The expenses of the Offers (exceeding \$500) will be met from the Company's existing cash reserves. The effect of the Offers on the Company's financial position will be a net decrease in cash held of approximately \$15,000 (exclusive of GST).

4. Risk factors

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards against known risks, however, some are outside its control.

The Directors consider that the matters summarised in this Section 4, which is not exhaustive, represent some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks associated with an investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

4.1 Specific risks

(a) Trading history

There can be no certainty that HomeStay will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities. HomeStay's profitability may be impacted by, among other things, the success of its business strategies (such as the conversion of its current pipeline, go-to-market initiatives and/or pilot programs into ongoing commercial relationships/sales channels, further development of the Intelligent Home Platform, and sales and marketing), its ability to provide a high-quality product and level of service to customers, economic conditions in the markets in which it operates, competition factors, and any regulatory developments. Accordingly, the extent of future profits (if any) and the time required to achieve sustained profitability are uncertain and cannot be reliably predicted.

(b) Counterparty risk

Counterparty risk is the risk that a counterparty to any agreement (particularly material agreements such as those with Automation Australia Pty Ltd trading as Essence APAC (**Essence APAC**) and Enrich Living Pty Ltd) will not be able to meet its obligations under a contract, may not honour those obligations, or may choose to terminate the contract (validly or otherwise). The strategies of the Company rely on the successful performance of contracts with external parties. There is a risk that these counterparties may not meet their responsibilities, including as a result of insolvency, or financial distress or liquidation of the counterparty, which may expose the Company to the risk of loss. In the case of default or any of the abovementioned scenarios, the Company could also become subject to adverse market movements while replacement transactions are executed. To mitigate counterparty risk, the Company uses best endeavours to conduct relevant due diligence investigations on each party that it contracts with and scales up its due diligence investigations relative to the materiality of the applicable agreement. Counterparty risk also applies to counterparties to agreements between the Company's suppliers and partners, and their suppliers and service providers. For example, the ability of Essence APAC to comply with its obligations under the heads of agreement with the Company (**Heads of Agreement**) is dependent on a licence arrangement between Essence APAC and a third party licensor. There is therefore also a risk that that third party licensor may not be able to meet its obligations or may not honour its obligations under that arrangement with Essence APAC, which would in turn cause Essence APAC to not be able to meet its obligations to the Company under the Heads of Agreement.

(c) Risks associated with updates to the Intelligent Home Platform

The industry in which HomeStay is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. While HomeStay will undertake all reasonable due diligence in its business decisions and operations, HomeStay will have no influence or control over the activities or actions of any competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of HomeStay's business. For instance, new technologies could overtake any advancements made by HomeStay's suite of Intelligent Home products. In that case, HomeStay's revenues and profitability could be adversely affected.

The cost and time for a competitor to develop a competing technology may not be significant (particularly for a larger competitor with access to funding and resources). This may result in a heightened risk of competition to HomeStay. If a person or entity successfully develops and commercialises a competing product, this may have a materially adverse effect on the value and prospects of HomeStay.

(d) **Third Party Relationship Risk**

The Company is dependent in part upon its relationships and alliances with industry participants, hardware providers and service providers. Some of the Company's partners do, or may in the future, assist the Company in the development of its products through testing, research and development, contract manufacturing, supplier or teaming arrangements or the provision of services. If any of the Company's existing relationships with partners were impaired or terminated, or if the Company was unable to implement additional partnering arrangements it may require from time to time, the Company could experience significant delays in the development or rollout of products or the provision of services and would incur additional costs or reputational damage. In the event of such parties failing to meet their obligations to the Company on time or at all, the Company may be adversely affected.

(e) **Research and Development and Technical Risk**

HomeStay's products and services are the subject of continuous research and development and necessarily need to be substantially developed further in order to gain and maintain competitive and technological advantage, and in order to meaningfully improve the products' and services' usability, scalability and accuracy. There are no guarantees that HomeStay will be able to undertake such research and development successfully. Failure to successfully undertake such research and development, anticipate technical problems, or estimate research and development costs or timeframes accurately will adversely affect HomeStay's results and viability.

(f) **Technology Risk**

HomeStay's market involves rapidly evolving products and technological change. To succeed, HomeStay will need to research, develop, design, test, market and support (i) substantial enhancements to its existing products and (ii) new products, on a timely and cost-effective basis. HomeStay cannot guarantee that it will be able to engage in research and development at the requisite levels. HomeStay cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.

(g) **Data security risk**

HomeStay provides a number of its services online through the applicable Intelligent Home Platform which includes native mobile applications. Hacking or exploitation of some unidentified vulnerability in its website or application (third-party, licenced, or otherwise) could lead to a loss, theft or corruption of data. HomeStay will collect sensitive data relating to user information, demographics, etc., which could be attractive to hacking or exploitation.

This could render a platform unavailable for a period of time, whilst data is restored. It could also lead to unauthorised disclosure of users' data with associated reputational damage, claims by users and regulatory scrutiny and fines. Although HomeStay has strategies and protections in place to mitigate security breaches and to protect data, these strategies might not be successful. In that event, disruption to the Intelligent Home Platform and unauthorised disclosure of user data could negatively impact upon HomeStay's reputation, revenues and profitability.

(h) **Commercialisation risk**

There is a risk that HomeStay will not be able to successfully commercialise or sell its products (whether these be products that are developed in-house, or comprise of third-party or white label products) or will be unable to attract sufficient customers to be sufficiently profitable to fund future operations.

HomeStay's ability to generate revenue depends on the sales it makes across its product offerings. As with any business, there is a risk that the marketing strategies may not be effective in generating the increased customer scale that HomeStay is targeting.

The price point of some of HomeStay's existing or proposed products may be too high compared to other solutions or may not be able to stay at the same or at competitive prices for an extended period. This may lead to difficulties in market acceptance and, if reductions in price are necessary to achieve market penetration, the potential for profit margins will be reduced.

(i) **Intellectual property risk**

The architecture, functionality and design of certain HomeStay offerings (Care@Home, Carers Companion, MyDay, and business integration tools) are unique from its competitors. Its code base and algorithms, documentation and process flow, form part of its proprietary trade secret. However, at this current stage, HomeStay has not identified any component of the abovementioned offerings that is patentable. Rather, HomeStay's intellectual property is protected through contractual obligations imposed on those persons who have been involved (and have the know-how) in the development of HomeStay's technology.

The value of HomeStay is, to an extent, dependent on HomeStay's ability to protect its other intellectual property rights through these contractual arrangements and going forward, completing such registrations as are appropriate and other relevant measures. If HomeStay fails to protect its intellectual property rights adequately, competitors may gain access to its technology which would in turn harm its business.

The commercial value of HomeStay's intellectual property assets is not dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that HomeStay's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate HomeStay's intellectual property or commercially sensitive information, or that

competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which HomeStay (or entities it deals with) may have an interest in now or in the future will afford HomeStay commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against HomeStay under copyright, trade secret, patent, or other laws. While HomeStay is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, HomeStay's business. If HomeStay is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in HomeStay's favour, the costs of such litigation may be potentially significant and may divert management's attention from normal commercial operations.

(j) **Reliance on third party technology risk**

HomeStay intends to grow the Intelligent Home and the Intelligent Home Platform in a way in which it can be utilised by a number of operating systems, internet platforms and other hardware devices. While HomeStay will therefore depend on its products being able to operate on a range of systems, platforms and devices, it is unable to control third party developers of such systems. Any changes to external platforms, systems or devices that give preference to competing products or adversely impact on the functionality of HomeStay's products may render consumers less likely to use HomeStay's products, which may have a detrimental impact on HomeStay's financial performance. Likewise, HomeStay's products are predicated on consumers being able to access the internet and cellular networks. If third party providers raise the cost of these networks or restrict the ability of consumers to access these networks via HomeStay's products, this is likely to detrimentally affect HomeStay's financial performance.

The Intelligent Home incorporates licensed technology from third party platform providers on standard terms and conditions, such as payment gateways, chatbots and project management platforms. Should such licences be terminated or cease to operate, HomeStay will be required to seek alternative platforms or arrangements. There is a risk that such platforms may not be available to HomeStay on equivalent terms, or at all, which may require additional expenditure to continue to operate the Intelligent Home and may have an adverse effect on HomeStay's ongoing operations.

(k) **Contract Risk**

The operations of HomeStay will require the involvement of a number of third parties, including suppliers, contractors and customers. With respect to these third parties, and despite applying best practice in terms of pre-contracting due diligence, HomeStay is unable to completely avoid the risk of:

- (A) financial failure or default by a participant in any joint venture to which HomeStay may become a party;

- (B) insolvency, default on performance or delivery, or any managerial failure by any of the operators and contractors used by HomeStay in its activities; or
- (C) insolvency, default on performance or delivery, or any managerial failure by any other service providers used by HomeStay or operators for any activity.

Financial failure, insolvency, default on performance or delivery, or any managerial failure by such third parties may have a material impact on HomeStay's operations and performance. Whilst best practice pre-contracting due diligence is undertaken for all third parties engaged by HomeStay, it is not possible for HomeStay to predict or protect itself completely against all such contract risks.

(l) **Regulatory risk**

While there is presently no obligation for HomeStay to obtain any licenses or other regulatory approvals to undertake its business, the introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern HomeStay's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of HomeStay and its shares. In addition, there is a commercial risk that legal action may be taken against HomeStay in relation to commercial matters.

(m) **Foreign exchange risk**

HomeStay may operate in a variety of jurisdictions, including Singapore and Australia, and as such, expects to generate revenue and incur costs and expenses in more than one currency. Accordingly, the depreciation of the Australian dollar and/or the appreciation of the foreign currency relative to the Australian dollar could result in a translation loss on consolidation which is taken directly to shareholder equity.

Any depreciation of the foreign currency relative to the Australian currency may result in lower than anticipated revenue. HomeStay will be affected on an ongoing basis by foreign exchange risks between the Australian dollar and the other foreign currencies and will have to monitor this risk.

(n) **Competition risk**

The industry in which HomeStay will be involved is subject to domestic and global competition. While similar offerings to those provided by HomeStay may exist internationally, HomeStay is not aware of any direct competitors operating in the jurisdictions targeted by HomeStay. Although HomeStay will undertake reasonable due diligence in its business decisions and operations, HomeStay will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of HomeStay.

(o) **Product liability risk**

HomeStay may be exposed to liability claims if its products or services are provided in fault and/or cause harm to its customers. As a result, HomeStay may have to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against HomeStay, HomeStay may be fined or sanctioned, and its reputation and brand may be negatively impacted, which could

materially and adversely affect its reputation, business prospects, financial condition and results of operation.

(p) **Insurance risk**

HomeStay faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. HomeStay believes it has reasonably adequate coverage for third-party liability insurance, product liability insurance and business interruption insurance. However, HomeStay's insurance coverage may not be adequate. If HomeStay incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, HomeStay's financial position and financial performance may be adversely affected.

(q) **Risks associated with failure to deal with growth**

There is a risk that the Company will not be able to implement its growth strategy. The capacity of the Company to properly implement and manage its strategic direction may affect its financial performance.

(r) **Credit risks**

HomeStay will be exposed to credit risks relating to delayed or non-payments from its customers. A failure by HomeStay to adequately assess and manage credit risk may result in credit losses potentially resulting in a material adverse effect on HomeStay's business, operating and financial performance, including decreased operating cash flows.

(s) **Dependence on the Internet**

The successful continuation of the Intelligent Home and the Intelligent Home Platform will depend to some extent on the continued acceptance of the internet as a communications and commerce platform for individuals, devices and enterprises. The internet could become less viable as a business tool due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service.

The performance of the internet and its acceptance as a business tool have been harmed by "viruses," "worms" and similar malicious programs, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason the internet does not remain a widespread communications medium and commercial platform, the demand for the Company's products would be significantly reduced, which would harm its business.

(t) **Sales and Marketing Success**

There is no guarantee that sales and marketing campaigns undertaken by the Company will be successful. If they are not, the Company may encounter difficulty in creating market awareness of the Intelligent Home Platform, which would likely have an adverse impact on its revenues.

(u) **Privacy Concerns**

Regulations in various jurisdictions limit tracking and collection of personal identification and information. If HomeStay breaches such regulations, its business, reputation, financial position and financial performance may be detrimentally

affected. External events may also cause regulators to amend regulations in respect of the collection and use of user information. Any amended regulations may introduce controls which make the operation of certain types of tracking technologies unusable, which could damage HomeStay's financial position and financial performance by adding costs by the requirement to develop and implement new technologies.

(v) **Reliance on Key Management Personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of HomeStay depends substantially on its senior management and directors. HomeStay's future depends, in part, on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. There can be no assurance that there will be no detrimental impact on the performance of HomeStay or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner.

If contracts with key management personnel are terminated or breached, or if the relevant personnel were no longer to continue in their current roles, HomeStay would need to engage alternative staff, and HomeStay's operations and business may be adversely affected. HomeStay may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure, and the inability to continue to attract appropriately qualified personnel could have a material adverse effect on its business.

(w) **Litigation**

HomeStay may in the ordinary course of business become involved in litigation and disputes, for example with its contractors or clients. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, clients or other stakeholders. Any such outcomes may have an adverse impact on HomeStay's business, market reputation and financial condition and financial performance. The Company is not currently engaged in any litigation.

(x) **Future Funding Needs**

Further funding may be required by HomeStay in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies. For example, funding may be needed to develop new and existing products or acquire complementary businesses and technologies. Accordingly, HomeStay may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for HomeStay's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of HomeStay.

4.2 **General risks**

(a) **Economic and financial market risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

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

- (D) general economic outlook;
- (E) interest rates and inflation rates;
- (F) currency fluctuations;
- (G) changes in investor sentiment toward particular market sectors;
- (H) the demand for, and supply of, capital; and
- (I) terrorism or other hostilities.

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

(b) **Force majeure**

The Company, now or in the future, may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(c) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and user and supplier relationships.

(d) **Trading price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to, general economic conditions including the performance of the Australian dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors..

4.3 Other risks

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Investors should consider that an investment in the Company is highly speculative and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

5. Additional information

5.1 Continuous disclosure

As the Company is admitted to the official list of ASX, the Company is a “disclosing entity” for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information is publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants is also managed through disclosure to ASX. In addition, the Company posts information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

Investors are encouraged to check and monitor any further announcements made by the Company to ASX prior to securities being issued under the Offer. To do so, please refer to the Company’s ASX announcements platform via www.asx.com.au.

By virtue of section 713 of the Corporations Act, the Company is entitled to issue a “transaction-specific” prospectus in respect of the Offers.

In general terms, a “transaction-specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company.

As a disclosing entity under the Corporations Act, the Company states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the latest Closing Date:
 - (i) the annual financial report of the Company for the financial year ended 31 December 2018;
 - (ii) any half-year financial report of the Company lodged with ASIC after the lodgement of the annual financial report referred to above and before the lodgement of this Prospectus with ASIC; and
 - (iii) all continuous disclosure notices given by the Company after the lodgement of the annual financial report referred to above and before the lodgement of this Prospectus with ASIC (see below).

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules that investors or their professional advisers:

- (a) would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and

- (ii) the rights and liabilities attaching to the securities the subject of this Prospectus; and

(b) would reasonably expect to find in this Prospectus.

This Prospectus contains information specific to the Offer. If investors require further information in relation to the Company, they are recommended to take advantage of the opportunity to inspect or obtain copies of the documents referred to above.

The following announcements have been lodged with ASX in respect of the Company since the Company lodged its annual financial report for the financial year ended 31 December 2018 on 29 March 2019.

Date	Title
28/01/2020	Change of Director's Interest Notice x2
28/01/2020	Appendix 3B
28/01/2020	HomeStay awarded ACH Group tender
28/01/2020	HomeStay signs MSA with Bolton Clarke
28/01/2020	Quarterly Activity Statement and Appendix 4C
28/01/2020	Reinstatement to Official Quotation
28/01/2020	Homestay Sales Update
24/01/2020	Suspension from Official Quotation
22/01/2020	Trading Halt
22/01/2020	Pause in Trade
14/01/2020	Constitution
14/01/2020	Results of Meeting
18/12/2019	Ceasing to be a Substantial Holder
13/12/2019	Becoming a Substantial Holder
13/12/2019	Notice of General Meeting/Proxy Form
03/12/2019	Final Director's Interest Notice
03/12/2019	Initial Director's Interest Notice
03/12/2019	Appendix 3B
03/12/2019	HomeStay Corporate Update
15/11/2019	Appendix 3B
08/11/2019	Appendix 3B
08/11/2019	Ceasing to be a substantial holder

Date	Title
05/11/2019	Change of Director's Interest Notice
05/11/2019	Change of Director's Interest Notice
05/11/2019	Appendix 3B
01/11/2019	Notification of Shortfall
31/10/2019	Quarterly Activity Statement and Appendix 4C - Sept 2019
28/10/2019	Release of restricted securities from escrow
18/10/2019	Dispatch of Entitlement Issue Prospectus
11/10/2019	Letter to Eligible Shareholders
11/10/2019	Letter to Ineligible Shareholders
10/10/2019	Letter to Optionholders
09/10/2019	Reinstatement to Official Quotation
09/10/2019	Appendix 3B
09/10/2019	Entitlements Issue Prospectus
09/10/2019	HomeStay receives commitments of \$4 million
09/10/2019	Corporate Update
26/09/2019	Voluntary Suspension Extension
23/09/2019	Voluntary Suspension Extension
16/09/2019	Voluntary Suspension Extension
09/09/2019	Voluntary Suspension Extension
02/09/2019	Voluntary Suspension Extension
30/08/2019	Half Year Report and Appendix 4D
26/08/2019	Voluntary Suspension Extension
22/08/2019	Voluntary Suspension Extension
21/08/2019	Voluntary Suspension Extension
20/08/2019	Suspension from Official Quotation
16/08/2019	Trading Halt
16/08/2019	Pause in Trading
01/08/2019	HomeStay achieves first sales under Essence APAC agreement
31/07/2019	Quarterly Activity Statement and Appendix 4C - June 2019

Date	Title
23/07/2019	HomeStay launches B2C webstore and HomeStay Connect app
15/07/2019	HomeStay signs exclusive distribution agreement
11/07/2019	Trading Halt
11/07/2019	Pause in Trading
20/06/2019	HomeStay technology featured in St John of God Accord house
05/06/2019	Annual Report Disclosures
04/06/2019	Change of Director's Interest Notice
04/06/2019	Appendix 3B
28/05/2019	Results of Meeting
28/05/2019	HomeStay AGM Chairman's Address
27/05/2019	HomeStay appoints Philippa Lewis as CEO
08/05/2019	Corporate Overview
30/04/2019	Quarterly Activity Statement and Appendix 4C - March 2019
29/04/2019	Notice of Annual General Meeting/Proxy Form

5.2 Market price of Shares

The highest and lowest closing prices of Shares on the ASX during the 3 months preceding the date of this Prospectus, and the closing price on the last trading day that sales were recorded before the date of this Prospectus, are set out below.

	Price	Date
Highest	\$0.007	4, 5, 6 December 2019
Lowest	\$0.004	27, 28, 29 November 2019
		2, 3 December 2019
		7 January 2020
Last	\$0.005	23 January 2020

5.3 Rights and liabilities attaching to Shares

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, ASX Listing Rules and the Company's Constitution. A copy of the Company's Constitution was released to ASX on 14 January 2020.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he

considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

5.4 Terms and Conditions of Advisor Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on or before that date that is three (3) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Following the Exercise Date and within the time period specified by the ASX Listing Rules, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price or number of underlying securities**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

5.5 Terms and Conditions of Ambassador Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph 5.5(i), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on or before that date that is 24 months from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Following the Exercise Date and within the time period specified by the ASX Listing Rules, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under 5.5(g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price or number of underlying securities**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

5.6 Director interests

Other than as set out below or elsewhere in this Prospectus, no existing or proposed Director holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with an Offer; or
- (c) an Offer,

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

(a) Remuneration

The remuneration (including superannuation) to be paid to the Directors for the current financial year and paid to Directors for the 2 financial years prior to the date of this Prospectus, is set out below.

Director	Position	Financial year ended 31 December 2018	Financial year ended 31 December 2019	Financial year ending 31 December 2020 ¹
Wayne Cahill ²	Non-Executive Chairman	Nil	\$75,281	\$82,125
Graham Russell ³	Managing Director	Nil	\$7,964 ³	\$131,400
Shannon Robinson ⁴	Executive Director	\$141,589	\$54,750	\$54,750
Sara Kelly ⁵	Non-Executive Director	\$5,500	\$48,000	\$48,000

Notes:

1. This assumes that there is no change to the remuneration payable to each Director as at the date of this Prospectus.
2. Mr Cahill was appointed as a Director on 1 February 2019. Mr Cahill is currently paid a fee of \$75,000 per annum (plus superannuation, which is currently an additional \$7,125 per annum). As part of his remuneration package, the Company agreed to issue a total of 12,000,000 Options to Mr Cahill subject to Shareholder approval. These Options were issued to Mr Cahill on 4 June 2019 following Shareholder approval at the Company's annual general meeting held on 28 May 2019. Refer to Note 5 of Section 3.1 of this Prospectus for information on the exercise price, vesting conditions and expiry date of these Options.
3. Mr Russell was appointed on 3 December 2019. Mr Russell is currently paid a salary of \$120,000 per annum (plus superannuation, which is currently \$11,400). The Company also agreed to issue to Mr Russell 30,000,000 Shares upon his appointment and 50,000,000 Performance Rights upon receipt of Shareholder approval. Refer to Note 8 of Section 3.1 for details of terms and conditions of the Performance Rights.
4. Ms Robinson was appointed as a Director on 13 November 2018. In the financial year ended 31 December 2018, Ms Robinson's remuneration comprised \$104,305 in salary and consulting fees (which included \$50,000 per annum in back pay pursuant to her previous engagement letter with HomeStay Care Pty Ltd, which had accrued since 1 December 2016 and had not at

that time been paid). Ms Robinson also received a \$25,000 bonus in accordance with her executive services agreement upon completion of the Company's acquisition of 100% of the issued capital of HomeStay Care Pty Ltd and the Company being reinstated to trading on ASX, and \$12,284 in superannuation. Ms Robinson is currently paid a fee of \$50,000 per annum (plus superannuation, which is currently an additional \$4,750 per annum).

5. Ms Kelly was appointed as a Director on 13 November 2018. Ms Kelly is currently paid a fee of \$48,000 per annum (plus GST). The Company also granted to Ms Kelly 12,000,000 Shares in lieu of fees owing to her totalling \$60,000 for executive services provided to the Company, which were outside of the scope of her role as a non-executive director.

(b) **Securities**

The securities which the Directors and their associates have or are proposed to have relevant interests in at the date of this Prospectus are set out below.

Director	Shares	Options	Performance Rights
Wayne Cahill	Nil	12,000,000 ¹	Nil
Graham Russell	80,000,000 ²	Nil	50,000,000 ³
Shannon Robinson ⁴	29,250,000 ⁵	2,000,000 ⁶	Nil
Sara Kelly ⁷	22,062,500 ^{8,9}	2,000,000 ⁶	Nil

Notes:

1. Comprising:
 - a. 4,000,000 Options exercisable at \$0.05 and expiring 1 August 2022;
 - b. 4,000,000 Options exercisable at \$0.065, vesting 1 February 2020 and expiring 1 February 2023; and
 - c. 4,000,000 Options exercisable at \$0.09, vesting 1 February 2021 and expiring 1 February 2024.

The full terms and conditions of these Options are set out in schedule A of the Company's notice of meeting for its annual general meeting held on 28 May 2019.
2. Held indirectly by Russell Acquisitions Pty Ltd (ACN 131 319 134) as trustee for the Campbell House Trust. Mr Russell is a controller of the trustee and is a beneficiary of the Campbell House Trust. These Shares are subject to voluntary escrow until 3 December 2020.
3. Issued under the Company's Performance Rights Plan. Refer to Note 8 of Section 3.1 for further details of terms and conditions of the Performance Rights.
4. Securities held indirectly by Berger Investments Fund Pty Ltd <Berger Investment Fund A/C>, a company of which Ms Robinson is a director and shareholder. In addition, Berger Investments Fund Pty Ltd as trustee for Berger Investment Fund, is entitled to 11,999,996 Deferred Consideration Shares (2,999,999 in each of the four classes) subject to satisfaction of the applicable milestones.
5. 18,000,000 Shares are subject to escrow until 19 November 2020.
6. Exercisable at \$0.03 on or before 13 November 2023 and subject to escrow until 19 November 2020. The full terms and conditions of these Options are set out in schedule 3 of the Company's notice of meeting for its general meeting held on 23 August 2018.
7. Securities held indirectly by TYF Holdings Pty Ltd <TYF Investment A/C>, a company of which Ms Kelly is director. In addition, TYF Holdings Pty Ltd as trustee for The TYF Investment Account, is entitled to 1,666,668 Deferred Consideration Shares (416,667 in each of the four classes) subject to satisfaction of the applicable milestones.

8. 2,500,000 Shares subject to escrow until 19 November 2020.

5.7 Expert and adviser interests

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or other person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with an Offer; or
- (c) an Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or an Offer.

Edwards Mac Scovell has acted as the legal adviser to the Company in relation to the Offers. The estimated fees payable to Edwards Mac Scovell for these services are \$10,000 (exclusive of GST and disbursements).

5.8 Consents

Each of the parties referred to below:

- (a) does not make the Offers;
- (b) has not authorised or caused the issue of this Prospectus;
- (c) does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below.

Edwards Mac Scovell has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the legal adviser to the Company in relation to the Offers in the form and context in which it is named.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

5.9 Offer expenses

The estimated expenses of the Offers (exclusive of GST) are set out below.

Item	Amount
ASIC fees	\$3,206
ASX fees	\$1,922
Legal fees	\$10,000
Miscellaneous fees	\$372
Total	\$15,500

5.10 Substantial Shareholders

As at the date of this Prospectus, no persons hold 5% or more of the Shares on issue.

5.11 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

6. Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and the issue of this Prospectus, and has not withdrawn that consent.

Signed for and on behalf of the Company.

A handwritten signature in black ink, appearing to be 'SR', followed by a period.

Shannon Robinson
Executive Director
For and on behalf of HomeStay Care Limited

7. Definitions

\$ means the official currency of the Commonwealth of Australia.

Acquisition Agreement means the binding term sheet entered into between the Company, HomeStay Care Pty Ltd and certain majority shareholders of HomeStay Care Pty Ltd, under which the Company agreed to acquire 100% of the issued capital in HomeStay Care Pty Ltd.

Advisor Options has the meaning given to in Section 2.2.

Advisor Options Offer has the meaning given to it on the front page of this Prospectus, the details of which are set out in Section 2.2.

Advisor Options Offer Closing Date means the date that the Advisor Options Offer closes being the date specified in Section 1 or such other time and date as the Company determines.

Ambassador Options has the meaning given to it in Section 2.3.

Ambassador Options Offer has the meaning given to it on the front page of this Prospectus, the details of which are set out in Section 2.3.

Ambassador Options Offer Closing Date means the date that the Ambassador Options Offer closes being the date specified in Section 1 or such other time and date as the Company determines.

Application Form means the application form either attached to or accompanying this Prospectus for either the Cleansing Offer, the Advisor Options Offer, or Ambassador Options Offer, as the context requires.

Application Monies means the monies received from persons applying for Shares under the Cleansing Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of the ASX.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

AWST means Australian Western Standard Time, being the time in Perth, Western Australia.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Cleansing Offer has the meaning given to it on the front page of this Prospectus, the details of which are set out in Section 2.1.

Cleansing Offer Closing Date means the date that the Cleansing Offer closes being the date specified in Section 1 or such other time and date as the Company determines.

Closing Date means either the Cleansing Offer Closing Date, the Advisor Options Offer Closing Date or the Ambassador Options Offer Closing Date, as the context requires.

Company or **HomeStay** means HomeStay Care Limited ACN 111 823 762.

Constitution means the constitution of the Company from time to time.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

General Meeting means the general meeting of Shareholders of the Company held on 14 January 2020.

HomeStay means HomeStay Care Limited ACN 111 823 762.

HomeStay Care Pty Ltd means HomeStay Care International Pty Ltd (formerly HomeStay Care Pty Ltd) (ACN 612 594 475).

Intelligent Home means any home that utilises HomeStay's data-collecting hubs, together with any number of hub-communicating in-home sensors (including, but not limited to: movement/activity monitoring sensors; bed sensors; door/window sensors; hot water sensors; incontinence devices; and/or wearable devices (smart or otherwise), noting that these devices may comprise of licenced third-party devices, proprietary devices, white label devices, or otherwise).

Intelligent Home Platform means any platform used by HomeStay to offer the Intelligent Home, on-demand services, healthcare data management and/or lifestyle monitoring.

Notice of General Meeting means the notice of the General Meeting announced by the Company on 13 December 2019.

Offer means either the Cleansing Offer, Advisor Options Offer or Ambassador Options Offer, as the context requires, and **Offers** means any two or more of them, as the context requires.

Opening Date means the first date for receipt of applications under the Offers being the date specified in Section 1 or such other time and date as the Company determines.

Option means an option to acquire a Share.

Performance Right means a performance right to a Share in the capital of the Company.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Security means an equity security (as that term is defined in the ASX Listing Rules) of the Company and **Securities** has the corresponding meaning.

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

Shareholder means the registered holder of one or more Shares.

Share Registry means the share registry of the Company as specified in the corporate directory of this Prospectus.

Taylor Collison means Taylor Collison Limited (ACN: 008 172 450) (AFSL: 247083).