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NAOS

NAOS SMALL CAP
OPPORTUNITIES COMPANY
LIMITED
ABN 47 107 617 381

PROSPECTUS

One-for-three bonus issue of Options to acquire fully paid ordinary shares exercisable at \$1.02 per Option on or before 28 June 2024

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IMPORTANT INFORMATION

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. Your investment decision regarding the Issue should be based upon the information contained in this Prospectus, the information disclosed by the Company to the ASX in compliance with its continuous disclosure obligations, and any advice which you determine is necessary or appropriate to inform your decision regarding the Issue. If you do not understand any part of this Prospectus, you should consult your accountant, tax adviser, stockbroker, solicitor or other professional adviser.

ABOUT THIS PROSPECTUS

This Prospectus is issued by NAOs Small Cap Opportunities Company Limited (ABN 47 107 617 381) (NSC, Company or Issuer) in connection with the pro-rata bonus issue of Options to Eligible Shareholders (Issue).

This Prospectus dated 19 May 2021 was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus.

No Options will be issued or transferred on the basis of this Prospectus after the expiry date, being 13 months after the date of this Prospectus.

TRANSACTION SPECIFIC PROSPECTUS

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

As such it does not contain the same level of disclosure as an initial public offering prospectus or a prospectus prepared in accordance with section 710 of the Corporations Act.

The Company, as a disclosing entity, is subject to regular reporting and disclosure obligations.

This Prospectus is therefore intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. In providing information in this Prospectus, regard has been had to the fact that NSC is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

INTERMEDIARY AUTHORISATION

The Company does not hold an Australian Financial Services Licence issued under the Corporations Act (AFSL). The Company has appointed Taylor Collison Limited ACN 008 172 450 (AFSL No. 247083) (Arranger) as its agent for the purposes of arranging for the offer to issue, vary or dispose of Options pursuant to section 911A(2)(b) of the Corporations Act. The Company may only issue, vary or dispose of such Options in accordance with the Arranger's offers, provided they are accepted. The Arranger is providing these services at no cost to the Company.

FUTURE PERFORMANCE

Certain statements in this Prospectus are about the future and are forward looking in nature. Generally, you can identify forward-looking statements by terms such as "may", "will", "should", "could", "would", "aim", "assumes", "intends", "objectives", "positioned", "targets", "expects", "plans", "anticipates", "believes", "estimates", "outlook", "forecasts", "projects", "predicts", "potential" and other similar expressions that are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

The forward-looking statements in this Prospectus reflect views held as at the date of this Prospectus, unless otherwise specified. No person who has made any forward-looking statements in this Prospectus (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward-looking statements are not guarantees of future performance. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors, some of which are beyond the control of the Company and its directors and management, that could cause the actual conduct, results, performance or achievements of the

Company to be materially different from those expressed or implied by such statements or that could cause future conduct or results to be materially different from the historical conduct or results.

Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to the risk factors described in section 5 and other information contained in this Prospectus.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Except as required by law and then only to the extent required, neither the Company, the Investment Manager or any other person warrants or guarantees the future performance of the Company, or any return on any Investment made pursuant to this Prospectus.

The forward-looking statements in this Prospectus reflect views held as at the date of this Prospectus, unless otherwise specified. Subject to the Corporations Act, the Listing Rules and any other applicable laws or regulations, NSC 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 filed from time to time with the ASX after the date of this Prospectus.

NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representations in connection with the Issue which are not contained in this Prospectus. Any information or representations not contained or incorporated by reference in this Prospectus may not be relied upon as having been authorised by NSC in connection with the Issue.

PAST PERFORMANCE INFORMATION

Information included in this Prospectus concerning the past performance of the Company, including pro forma financial information and information concerning the historical share price of NSC, is

provided for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance, share price performance or condition.

The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

The historical financial information concerning the Company included in this Prospectus, including the pro-forma statement of financial position in Section 4.4, has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (as adopted by the Australian Accounting Standards Board), which comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Investors should also be aware that certain financial data included in this Prospectus may be 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios (if any) included in this Prospectus.

NOTE TO ELIGIBLE SHAREHOLDERS

The information 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.

This Prospectus is important and should be read in its entirety. There are risks associated with acquiring Shares on exercise of the Options and dealing in Options or Shares must be regarded as a speculative investment. Some of the 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 those set out in Section 5 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 Company.

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

NO ISSUE OR OFFER WHERE ISSUE OR OFFER WOULD BE ILLEGAL

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

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. In particular, the Options (or Shares which may be issued on exercise of Options) have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a U.S. Person, except transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws. The Issue is not being extended to any investor outside Australia and New Zealand.

For further detail please see Section 2.8.

PRIVACY

NSC will collect, hold, use, and disclose personal information held by it or provided by investors to allow it to determine eligibility for and to issue the Options, process your Option Exercise Form, service your needs as a holder of Securities in NSC, provide facilities and services that you request, and carry out appropriate administration of your investment. This means that NSC will need to collect your personal information (for example, your name, address and details of your investment in NSC).

Under the Corporations Act some of this information must be included in NSC's registers, which will be accessible by the public.

NSC 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.

NSC may also share your personal information with its service providers or others who provide services on its behalf, some of which may be located outside of Australia.

For more details on how NSC collects, stores, uses and discloses your information, please refer to section 6.14. You can also read NSC's Privacy Policy located at www.naos.com.au/privacy-policy.

INCORPORATION BY REFERENCE

Information contained in or accessible through the documents or websites mentioned in this Prospectus does not form part of this Prospectus unless it is specifically stated that the document or website is incorporated by reference and forms part of this Prospectus.

This Prospectus does not provide investment advice – you should seek your own professional investment advice.

ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form to Australian and New Zealand residents on the Company's website, www.naos.com.au/nsc-naos-small-cap-opportunities-company-limited. The Issue constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia or New Zealand and is not available to persons in any other jurisdictions, including the United States.

A hard copy of the Prospectus is available free of charge to any person in Australia or New Zealand by calling (02) 9002 1576 between 8:30am and 5pm (Sydney time), Monday to Friday.

IMPORTANT INFORMATION FOR NEW ZEALAND INVESTORS

The Issue is being made in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exception Notice 2016. This Prospectus is not a Product Disclosure Statement for the purpose of New Zealand law.

DEFINITIONS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in Section 7.

TIME

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

AMOUNTS AND ROUNDING

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

DATA

All data contained in charts, graphs and tables is based on information available as at the date of this Prospectus unless otherwise stated

INTELLECTUAL PROPERTY

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

FURTHER INFORMATION

If you have any questions in relation to the Issue, you can contact the Company by telephone on (02) 9002 1576 or by email at enquiries@naos.com.au

KEY DETAILS & IMPORTANT DATES

KEY DETAILS:

Company	NAOS Small Cap Opportunities Company Limited
ASX code of Shares	NSC
Securities to be issued	Options
Expected ASX code for Options	NSCOA
Issue price per Option	Nil. No monies are payable for the issue of the Options.
Exercise price per Option	\$1.02
Number of Options offered under the Prospectus	51,442,633
Shares on issue at the date of this Prospectus	154,327,899
Shares on issue on completion on a fully diluted basis*	205,770,532

* Based on the number of Shares on issue on the date of this Prospectus and assuming 100% of such Shares are held by Eligible Shareholders on the Record Date and assuming all Options issued under this Prospectus are exercised to Shares.

SUMMARY OF KEY DATES:

Lodgement of the Prospectus with ASIC and ASX	Wednesday, 19 May 2021
Shares trade ex-bonus Option entitlements	Monday, 24 May 2021
Record Date	Tuesday, 25 May 2021
Prospectus sent to Eligible Shareholders	Friday, 28 May 2021
Intended date for issue and entry of Options on the option register	Monday, 31 May 2021
Normal trading in Options commences on ASX	Tuesday, 1 June 2021
Dispatch of new holding statements	Thursday, 3 June 2021
Options expire	Friday, 28 June 2024

The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above without notice subject to the Listing Rules and the Corporations Act.

LETTER FROM THE CHAIRMAN

19 May 2021

Dear Fellow Shareholders,

On behalf of the Board of NAOS Small Cap Opportunities Company Limited (Company), I am pleased to provide you this Prospectus for the one-for-three pro-rata bonus issue of Options to Eligible Shareholders (Issue). The Options will be issued at no cost and can be exercised at any time before 5:00pm on Friday, 28 June 2024 (Sydney time) for an exercise price of \$1.02 per Option.

The Company aims to protect investor capital whilst providing a sustainable growing stream of dividends, franked to the maximum extent possible, and long-term investment performance above the benchmark index, being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI).

The Company aims to provide investors with genuine, concentrated exposure generally to Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus. The Company's investment philosophy is centered on the pillars of long-term, concentrated and high-conviction investing. Since inception of the Investment Portfolio, the Company has declared an aggregate 17.25 cents per Share of fully franked dividends.



ABOUT THE ISSUE

The Board is pleased to issue Options to Eligible Shareholders, which we consider presents several benefits, including:

- Eligible Shareholders will receive Options at no cost;
- Options will be tradeable on the ASX and may be bought or sold on-market at the prevailing market price;
- Eligible Shareholders are able to increase their shareholding in the Company by exercising the Options without paying any brokerage or commission;
- The exercise price of the Options (being, \$1.02) is equivalent to the most recent pre-tax Net Tangible Assets (NTA) per share of the Company, as at 30 April 2021;
- Where Options are exercised, this increases the size of the Company's portfolio, which in turn, unlocks the benefits of scale, meaning lower fixed costs on a per share basis as the Company grows.

GROWING AND LIMITING THE SIZE OF THE COMPANY TO A STRATEGICALLY OPTIMAL LEVEL

The Board believes that the Issue is a measured way to allow the Company to grow over the next 36 months. In our view, it would allow NAOS Asset Management (the Investment Manager) to take advantage of a number of undervalued investment opportunities that have arisen within the small cap end of the Australian stock market; whilst not placing undue pressure on the short-term performance and dividend reserves of the Company.

The Board remains committed to managing the capital base of the Company in a manner that provides the most suitable framework for maximising potential shareholder return. We believe that growing the size of the Company to between \$200 million and \$300 million is optimal as it not only allows the Investment Manager to maximise performance by still being able to access meaningful positions in quality companies; but also scales the Company to an appropriate size that lowers the total expenses and costs for all shareholders.

This Prospectus contains detailed information about the Issue and the Company and a description of the key risks associated with an investment in the Company. I encourage you to read this Prospectus carefully and in its entirety before dealing in or exercising your Options. In addition, you should also consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Board of Directors, I thank you for your continued support.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Trevor Carroll', written over a horizontal line.

Trevor Carroll
Chairman

NAOS Small Cap Opportunities Company Limited

SECTION 1: OVERVIEW OF THE ISSUE

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to deal in or exercise any Options that are issued to you, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 ABOUT THE COMPANY

Question	Answer	More information
Who is the Issuer?	NAOS Small Cap Opportunities Company Limited (ABN 47 107 617 381)(NSC or Company) The Company is a listed investment company and its Ordinary Shares are listed on the ASX (ASX:NSC).	Section 3.1
Who is the Investment Manager?	NAOS Asset Management Limited (ABN 23 107 624 126) is the investment manager of NSC (NAOS or Investment Manager).	Section 3.7
What is the Company's investment approach?	NSC aims to provide investors with genuine, long-term concentrated exposure to Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus. NSC's Investment Portfolio is managed on behalf of the Company by NAOS.	Section 3.3
What is the Company's net tangible asset position?	The unaudited pre-tax net tangible assets of NSC as at 30 April 2021 were \$156.83 million, which equates to \$1.02 per Ordinary Share.	Section 3.5
What is the Company's dividend policy?	NSC aims to pay a growing stream of quarterly dividends, franked to the maximum extent possible, provided NSC has sufficient profit reserves and franking credits and it is within prudent business practices to do so. Whilst past performance is not indicative of future performance, since inception of the Investment Portfolio, NSC has declared aggregate fully franked dividends of 17.25 cents per Ordinary Share.	Section 3.6
Who are the Directors?	The Directors of NSC are: <ul style="list-style-type: none">• Trevor Carroll, Independent Chairman;• David Rickards, Independent Director;• Warwick Evans, Director (and director of the Investment Manager); and• Sebastian Evans, Director (and director of the Investment Manager).	Section 3.9

1.2 KEY FEATURES OF THE ISSUE

Question	Answer	More information
What is the Issue?	Eligible Shareholders in the Company will receive at no cost, 1 bonus Option for every 3 Shares in the Company that they hold at 5:00pm (Sydney time) on the Record Date, being 25 May 2021. Each Option entitles holders to purchase one additional Share in the Company at any time from their date of issue until 5:00pm (Sydney time) on the Expiry Date, being 28 June 2024.	Section 2.1
What is the exercise price per Option?	The Option exercise price is \$1.02, which reflects the pre-tax net tangible assets of the Company per Share at 30 April 2021.	Section 2.1

What do Eligible Shareholders need to do to receive their Options?	<p>Eligible Shareholders do not need to take any action to receive the Options. The Options will be issued to Eligible Shareholders on or about Monday, 31 May 2021.</p> <p>The number of Options issued to each Eligible Shareholder will be shown on the Option Holding Statement which will be posted to Eligible Shareholders shortly after the date of this Prospectus.</p>	Section 2.1
Do Eligible Shareholders need to pay anything to receive their Options?	No, Eligible Shareholders do not need to pay anything to receive their Options.	Section 2.1
Who is an Eligible Shareholder?	Eligible Shareholders are registered holders of Shares as at 5:00pm (Sydney time) on the Record Date with a registered address in Australia and New Zealand.	Section 2.8
Why is the Issue being conducted?	The Issue is being conducted to raise further funds to facilitate the Company's aim of growing the Investment Portfolio to between \$200 million to \$300 million; a size that is considered optimal to allow the Investment Manager to most effectively execute the Company's investment strategy and therefore maximise the potential performance of the Company.	Section 2.2
How will the proceeds be used?	The proceeds raised by the Company from Option holders exercising their Options will be used to make further investments consistent with the Company's investment strategy of generally investing in Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus, as well as for general working capital.	Section 2.2
What is the maximum amount of money that may be raised if all Options are exercised?	<p>A maximum of \$52,471,486* would be raised if all Options are exercised.</p> <p>*Based on the number of Shares on issue on the date of this Prospectus and assuming 100% of such Shares are held by Eligible Shareholders on the Record Date and assuming all Options issued under this Prospectus are exercised to Shares.</p>	Section 4.1
How do Eligible Shareholders exercise their Options?	Options may be exercised by delivery to the Registry of a duly completed Option Exercise Form, signed by the registered holder of the Option, together with the applicable payment to the Registry of \$1.02 per Option being exercised.	Section 2.3
When must the Options be exercised by?	Options may be exercised at any time from their date of issue until 5:00 pm (Sydney time) on the Expiry Date, being 28 June 2024.	Section 2.3
Will the Options be listed on the ASX?	The Company will apply to the ASX for the Options to be quoted on the ASX. The Options are expected to be listed on the ASX under the code "NSCOA". Options may be transferred or transmitted in any manner approved by the ASX. There is no guarantee the Options will trade on the ASX or that there will be a liquid market for the Options. If Options are exercised, there is no guarantee that Shares issued on exercise of those Options will trade above the exercise price paid for those Shares.	Section 2.6
Effect of the Issue on the Company's financial position	<p>No proceeds will be raised by the Company on issue of the Options. Proceeds will be raised by the Company as and when Options are exercised. If all Options issued are subsequently exercised, the effect on the Company would be as follows (based on the number of Shares on issue as at the date of this Prospectus):</p> <ol style="list-style-type: none"> 1) The number of Shares on issue would increase by 51,442,633 Shares to approximately 205,770,532 Shares; and 2) The cash reserves of the Company would increase by approximately \$52,471,486. 	Section 4.1

Effect of the Issue on the Company's capital structure

The capital structure of the Company as at the date of this Prospectus, and assuming completion of the Issue is set out below:

Section 4.1

	As at date of this Prospectus	On completion of the Issue
Shares on issue	154,327,899	154,327,899
Options on issue	Nil	51,442,633
Fully diluted capital*	154,327,899	205,770,532

* Based on the number of Shares on issue on the date of this Prospectus and assuming 100% of such Shares are held by Eligible Shareholders on the Record Date and assuming all Options issued under this Prospectus are exercised to Shares.

Will the Company continue to buy back Shares under the Buy-Back and why is the Company buying back Shares?

The Company is currently in the process of undertaking an on-market buy-back of up to 10% of the Company's issued Shares in accordance with the Corporations Act (Buy-Back). The Buy-Back commenced on 15 April 2021 and is expected to complete no later than 14 April 2022. As at the date of this Prospectus, the Company may buy-back up to 15,466,225 Shares under the Buy-Back.

The Buy-Back is currently being completed as the Board believes it is an efficient use of the Company's available funds and is accretive to NTA per Share so this benefits all Shareholders whilst the share price trades at a discount to the underlying asset value of the Company. Any Shares bought back by the Company will be cancelled, which will result in the total issued Shares of the Company decreasing.

Section 4.2

1.3 KEY RISKS

Please note that the risks set out below are not intended to be exhaustive. A summary of the key risks associated with dealing in and exercising the Options and an investment in the Company are described in section 5.

Small cap companies risk

NSC invests in companies regarded as having small market capitalisation. Small cap companies often have limited customers, product lines, markets or financial resources, may be heavily dependent on key personnel and can be more susceptible to losses and risks of insolvency. Small cap companies may be recently established entities with limited public information or operating history and may be engaged in new-to-market concepts which may be speculative in nature. Shares in small cap companies may be susceptible to wider price fluctuations, may trade less frequently and in smaller volumes and therefore may be affected by liquidity risk to a greater degree than shares in larger companies. Any of these factors may in turn materially adversely impact the performance of NSC and the price at which the Options or Shares trade.

Liquidity risk for shares in portfolio companies

Positions in small cap stocks such as those held by the Issuer, can be difficult to sell and convert into cash, as the market for these types of investments is inherently smaller and less liquid. The risks associated with a lack of liquidity of shares in the portfolio companies are further increased due the Issuer's concentrated investment style and it having a substantial holding in many of the companies within the investment portfolio. Although the Investment Manager constructs its investment strategy having regard to liquidity constraints, there is a risk that one or more of the holdings in the Investment Portfolio (from time to time) may become illiquid. This can result in a loss if the Issuer needs to sell such investments within a particular time frame.

Liquidity risk for Options and Shares in the Company

While NSC will apply for the quotation on ASX of the Options (and any Shares issued on exercise of the Options), there is no guarantee that ASX will grant quotation of the Options or Shares (as applicable) or that an active trading market for the Options or Shares will arise. There is also no guarantee that such Shares will trade above the exercise price paid for the Shares on exercise of the Options. There may be relatively few prospective buyers or sellers of the Options or the Shares on the ASX at any given time.

Concentration risk

NSC's Investment Portfolio will generally only hold between 0-20 positions. This means that NSC's Investment Portfolio is concentrated in nature and it has a substantial holding in many of the companies. As a result, there is the risk that the Investment Portfolio may be less diversified than other listed investment companies. This may increase the exposure that NSC has to abnormal falls in the market price of any single investment and in turn could negatively impact the value of Options or Shares.

Dividend risk

Although NSC aims to provide a growing stream of quarterly dividends, franked to the maximum extent possible, provided it is within prudent business practices, there is no guarantee that dividends will be paid in the future, or that, dividends will remain at current levels or increase over time or that they will be franked. The payment of a dividend is contingent upon various factors, including but not limited to, the financial performance and profitability of NSC, the level of profit reserves, underlying performance of the Investment Portfolio and changes in regulations which are outside the control of NSC (refer to "regulatory risk" in Section 5 for further information). The extent to which dividends are franked depends on the franking credits available to NSC. NSC's ability to generate franking credits is dependent upon the receipt of franked dividends from the Investment Portfolio and the payment of tax.

Dilution risk

If you do not exercise the Options that you receive and other investors exercise their Options, your shareholding in the Company will be diluted.

Borrowings risk

NSC currently has \$27 million of borrowings (refer to Section 4.1 for further details). As the Investment Portfolio is leveraged through the use of borrowings, this has the effect of magnifying the exposure to potential gains or losses. Whilst leverage creates an opportunity for greater yield and return, it also, at the same time, increases the exposure to capital risk (including the risk of not being able to repay the borrowings on maturity) and interest costs. Should NSC have insufficient cash to repay the face value of the borrowings on maturity, there is the risk that it may need to raise further debt (on terms less favourable to the current borrowings), reduce the size of its Investment Portfolio and/ or issue Shares or other Securities in order to be able to raise sufficient funds to satisfy these payment obligations.

1.4 FURTHER INFORMATION

How can further information be obtained?

For further information, or if you have any questions relating to the Issue, you can contact the Company by telephone on (02) 9002 1576 or by email at enquiries@naos.com.au.

If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.

SECTION 2: DETAILS OF THE ISSUE AND HOW TO EXERCISE OPTIONS

2.1 TERMS OF THE ISSUE

Eligible Shareholders in the Company will receive 1 bonus Option for every 3 Shares in the Company that they hold at 5:00pm (Sydney time) on the Record Date, at no cost.

The Option exercise price is \$1.02, which reflects the pre-tax net tangible assets per Share of the Company at 30 April 2021.

Each Option entitles the holder to purchase one additional Share in the Company at the exercise price of \$1.02 at any time before 5:00pm (Sydney time) on the Expiry Date, being 28 June 2024.

The number of Options issued to you will be shown on the Option Holding Statement which will be sent to Eligible Shareholders separately. In the calculation of any entitlement, fractions will be rounded down to the nearest whole number. You do not need to take any action to receive the Options which will be issued to Eligible Shareholders shortly after the date of this Prospectus.

2.2 USE OF ADDITIONAL CAPITAL RECEIVED ON EXERCISE OF THE OPTIONS

The money raised by Option holders exercising their Options will be used by the Investment Manager to make further investments consistent with the Company's investment strategy of generally investing in Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus, as well as for general working capital. This will facilitate the Company's aim of growing the Investment Portfolio to between generally \$200 million to \$300 million; a size that is considered optimal to allow the Investment Manager to most effectively execute the Company's investment strategy and therefore maximise the performance of the Company. The Company's investment strategy is described in further detail in section 3.3. No proceeds will be raised by the Company on issue of the Options.

2.3 EXERCISING OPTIONS

Eligible Shareholders may exercise Options at any time before 5:00pm (Sydney time) on the Expiry Date, by paying \$1.02 per Option and duly completing an Option Exercise Form.

Eligible Shareholders will be sent a personalised Option Exercise Form together with a holding statement shortly after the date of this Prospectus.

An Option Exercise Form is only valid and effective when the Registry has received the full amount of the exercise price in cleared funds, any time before 5:00pm (Sydney time) on the Expiry Date. Payment can be made by enclosing your cheque with the form or it can be made by BPAY. The BPAY details are contained in your personalised Option Exercise Form.

If you need a new Option Exercise Form, please contact the Registry via the details set out in the Corporate Directory.

2.4 RIGHTS ATTACHING TO OPTIONS AND SHARES

On exercise of an Option, Eligible Shareholders will be issued with one Share. The terms of the Options are set out in section 6.5 of this Prospectus. Detailed provisions relating to the rights attaching to Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company or provided free of charge by contacting the Company by telephone on (02) 9002 1576 or by email at enquiries@naos.com.au.

Please refer to section 6.5 for the terms of the Options and section 6.7 for a summary of the rights attaching to the Shares.

2.5 TAXATION IMPLICATIONS

The taxation consequences of being granted Options will depend on an Eligible Shareholder's particular circumstances. It is each Eligible Shareholder's responsibility to make their own enquiries concerning the taxation consequences of dealing in or exercising any Options, or dealing in any Shares issued on exercise of Options.

The Directors do not consider that it is appropriate to give Eligible Shareholders advice regarding the taxation consequences of being granted Options under this Prospectus or exercising these Options as it is not possible to provide a comprehensive summary of the possible taxation positions of all Eligible Shareholders. The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to Eligible Shareholders in respect of the Issue or any subsequent dealing or exercise of the Options or Shares issued on exercise of Options.

Before deciding to exercise your Options, you should consider whether the Shares to be issued and allotted on exercise of the Options are a suitable investment for you. Please refer to the risks set out in Section 5.

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, financial adviser, accountant, solicitor or other professional adviser immediately.

2.6 QUOTATION OF OPTIONS

Within 7 days after the date of this Prospectus, an application will be made to ASX for the Options to be quoted on the ASX. If ASX does not give permission for quotation of the Options within 3 months after the date of this Prospectus (or a later date permitted by ASIC), none of the Options will be issued and any Options that have been issued will be void, unless ASIC grants an exemption permitting the Issue. Options may be transferred or transmitted in any manner approved by the ASX. There is no guarantee the Options will trade on the ASX or that there will be a liquid market for the Options. If Options are exercised, there is no guarantee that Shares issued on exercise of those Options will trade above the exercise price paid for those Shares.

2.7 MARKET PRICES OF SHARES ON ASX

The highest and lowest closing market sale prices of the Company's Shares on ASX during the three (3) months immediately preceding the date of this Prospectus and the respective dates of those highest and lowest sales were \$0.8900 (10 May 2021) and \$0.7300 (1 March 2021).

The latest available sale price of the Company's Shares on ASX at the close of trading on 18 May 2021 (the date prior to the date of this Prospectus) was \$0.8650.

The Options are not in an existing class of quoted securities and therefore there is no sale price history for the Options.

2.8 OVERSEAS DISTRIBUTION

No action has been taken to register or qualify the issue of Options under this Prospectus, or to otherwise permit a public issuance of Options, in any jurisdiction outside Australia and New Zealand.

The Company has formed the view that it is unreasonable to make the Issue to overseas Shareholders in jurisdictions outside Australia and New Zealand (Excluded Holders) having regard to:

- the number of Excluded Holders within the relevant jurisdictions;
- the number and value of Shares held by those Excluded Holders; and
- the cost of complying with overseas legal requirements within the relevant jurisdictions.

The Issue is not being extended and the Options are not being issued to Shareholders with registered addresses outside Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. This Prospectus may not be released or distributed in the United States or to US Persons. Neither this Prospectus or the Issue constitutes an offer of securities 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 Shareholders: The Issue is being made in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exception Notice 2016. This Prospectus is not a Product Disclosure Statement for the purpose of New Zealand law.

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to the Options and Shares issued on exercise of the Options. The return of a duly completed Option Exercise 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.

SECTION 3: INFORMATION ABOUT NSC

3.1 INTRODUCTION

NAOS Small Cap Opportunities Company Limited (ABN 47 107 617 381) (NSC) is a listed investment company and its shares are listed on the Australian Securities Exchange (ASX: NSC).

NSC seeks to protect investor capital whilst providing a growing stream of dividends, franked to the maximum extent possible, and long-term investment performance above the benchmark index, being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI).

3.2 STRUCTURE

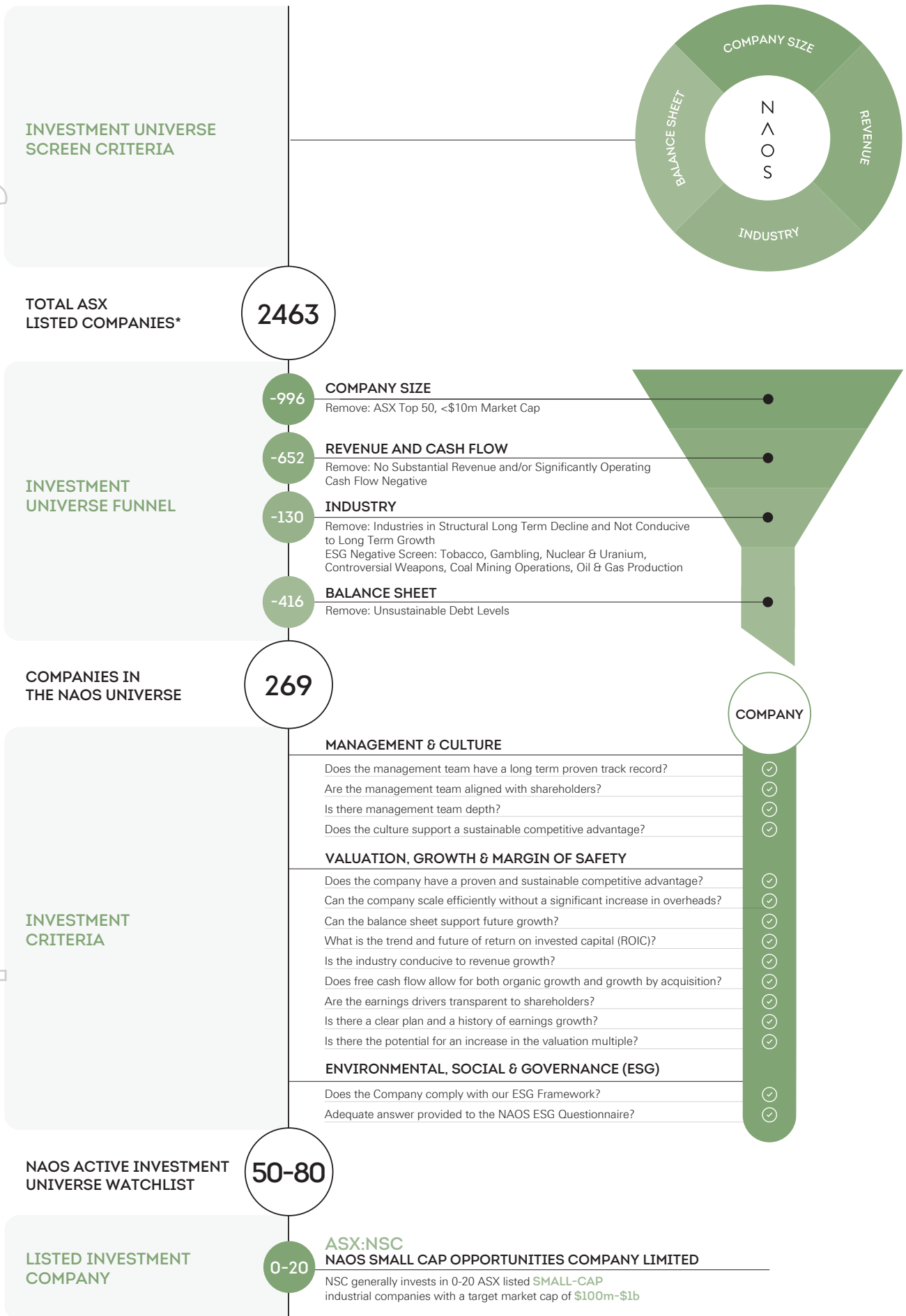
As a listed investment company, NSC has a closed ended company structure, which means that the shares on issue cannot be redeemed (or applied for) by Shareholders. This allows management to concentrate on the performance of the funds invested over the longer term without having to factor in inflows or outflows of monies through applications and redemptions. In addition, this structure allows management to select investments based on factors including business quality and long-term outlook, regardless of share liquidity profile.

3.3 INVESTMENT OBJECTIVES AND PROCESS

NSC aims to provide investors with genuine, long-term, concentrated exposure to Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus.

NSC's investment process is detailed in Figure 1. on the next page.

Figure 1. Investment process



* Source: Bloomberg Data June 2020

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3.4 INVESTMENT PORTFOLIO

NSC targets a concentrated portfolio structure which comprises 0-20 companies that are believed to represent sound long-term value (Investment Portfolio). NSC does not regularly update the market on the composition of its Investment Portfolio, other than the information contained within its Annual Report. NSC makes substantial shareholder disclosures in relation to its investments when required. The following tables provide an overview of the composition, performance, and key metrics of the Investment Portfolio.

Table 1. Investment Portfolio as at 30 April 2021

Big River Industries Limited (ASX: BRI)
BSA Limited (ASX: BSA)
COG Financial Services Limited (ASX: COG)
COG Financial Services Limited Unsecured Note
Enero Group Limited (ASX: EGG)
Engenco Limited (ASX: EGN)
Eureka Group Holdings Limited (ASX: EGH)
Frontier Digital Ventures Limited (ASX: FDV) Over
The Wire Holdings Limited (ASX: OTW)
US Masters Residential Property Fund (ASX: URF)
WPP Aunz Limited (ASX: WPP)

Table 2. Performance relative to benchmark as at 30 April 2021

	1 month	6 months	1 year	2 years (p.a.)	3 years (p.a.)	Inception (p.a.)	Inception (total return)
NSC Investment Portfolio performance ¹	+6.33%	+37.75%	+72.13%	+20.61%	+9.52%	+7.20%	+26.77%
S&P/ASX Small Ordinaries Accumulation Index	+4.98%	+21.44%	+39.78%	+10.07%	+9.10%	+8.92%	+33.88%
Performance relative to benchmark	+1.35%	+16.31%	+32.35%	+10.54%	+0.42%	-1.72%	-7.11%

1. Investment Portfolio performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Returns compounded for periods greater than 12 months. Performance has not been grossed up for franking credits received by shareholders. Inception performance (p.a. and Total Return) is from 1 December 2017.

Historical performance is not an indication of the future performance of the Investment Portfolio. Performance returns of NSC will differ to the Investment Portfolio performance due to fees payable to the Investment Manager, interest expense and tax payable by NSC.

3.5 KEY METRICS

The key metrics of NSC as at 30 April 2021 are provided in the table below.

Table 3. Key metrics of NSC as at 30 April 2021

Pre-tax Net Tangible Assets per Ordinary Share	\$1.02
Post-tax Net Tangible Assets per Ordinary Share	\$0.96
Weighted average market capitalisation of investments	\$194.9 million
Number of holdings	11
Share price	\$0.79
Fully franked Q3FY21 dividend	1.25 cents per share
Fully franked dividend yield ¹	6.01%

1. Based on 30 April 2021 NSC closing share price, Q1, Q2, Q3 FY21 dividends of 1.25c per share, and Q4 FY20 dividend of 1.00c per share.

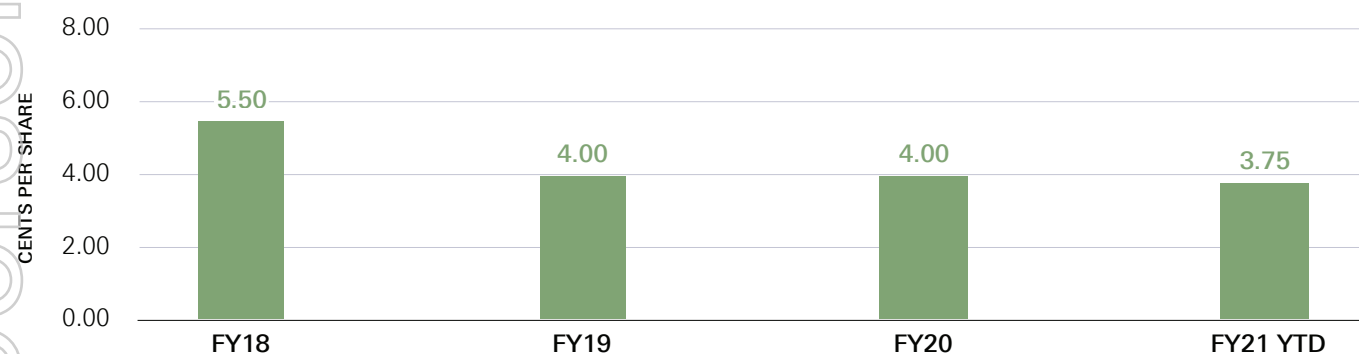
3.6 DIVIDEND PROFILE

NSC aims to pay a growing stream of dividends, franked to the maximum extent possible, provided NSC has sufficient profit and franking credits and it is within prudent business practices to do so.

On 21 April 2021, the Board declared a fully franked quarterly dividend of 1.25 cents per share for the quarter ending 31 March 2021. As shown in the table below (Figure 2), since inception of the Investment Portfolio, NSC has declared an aggregate 17.25 cents per share in dividends.

There is no guarantee that NSC's aim to pay dividends will be met in the future. Further to this, the level of franking attached to any dividend will depend on the level of franked dividends received from the Investment Portfolio and the amount of corporate tax paid.

Figure 2. Fully franked dividend profile (cents per Ordinary Share)



3.7 DESCRIPTION OF THE INVESTMENT MANAGER

NAOS Asset Management Limited (ABN 23 107 624 126) is the investment manager of NSC (NAOS or Investment Manager).

NAOS is a specialist fund manager providing genuine long-term concentrated exposure to Australian listed industrial companies outside of the ASX 50.

NAOS established its first listed investment company in 2012, raising \$17.3 million from 400 shareholders. Today NAOS manages approximately \$350 million across three listed investment companies that combined have approximately 7,500 shareholders. In addition to NSC, NAOS acts as Investment Manager for the following listed investment companies:

- NAOS Emerging Opportunities Company Limited (ASX: NCC) which aims to provide investors with genuine, concentrated exposure to Australian undervalued listed micro-cap companies with an industrial focus; and
- NAOS Ex-50 Opportunities Company Limited (ASX: NAC) which aims to provide investors with genuine, concentrated exposure to Australian undervalued listed small and mid-cap companies with an industrial focus.

NAOS directors and employees hold shareholdings across the listed investment companies, creating strong alignment of interests with shareholders. In addition, NAOS is majority owned by NAOS directors and employees.

3.8 INVESTMENT MANAGER BELIEFS



VALUE WITH LONG TERM GROWTH

We believe in investing in businesses where the earnings today are not a fair reflection of what the same business will earn over the longer term. Ultimately, this earnings growth can be driven by many factors including revenue growth, margin growth, cost synergies, acquisitions and even share buybacks. The end result is earnings growth over a long-term investment horizon even if the business was perceived to be a value type business at the time of the initial investment.



QUALITY OVER QUANTITY

Excessive diversification, or holding too many investments, may be detrimental to overall portfolio performance. We believe it is better to approach each investment decision with conviction. In our view, to balance risk and performance most favourably, the ideal number of quality companies in each portfolio would generally be 0 to 20.



INVEST FOR THE LONG TERM

As investors who are willing to maintain perspective by taking a patient and disciplined approach, we believe we will be rewarded over the long term.

If our investment thesis holds true we persist. Many of our core investments have been held for three or more years where management execution has been consistent and the value proposition is still apparent.



MANAGEMENT ALIGNMENT

We believe in backing people who are proven and aligned with their shareholders. One of the most fundamental factors which is consistent across the majority of company success stories in our investment universe is a high quality proven management team with 'skin in the game'. NAOS Directors and staff members are significant holders of shares on issue across our strategies, so the interests of our shareholders are well aligned with our own.



IGNORE THE INDEX

This means we are not forced holders of stocks with large index weightings that we are not convinced are attractive investment propositions.

We actively manage each investment to ensure the best outcome for our shareholders and only invest in companies that we believe will provide excellent, sustainable long-term returns.



PURE EXPOSURE TO INDUSTRIALS

With the big four banks making up a large portion of total domestic equity holdings for the SMSF investor group, many Australian investors are at risk of being overexposed to one sector and may be missing out on opportunities to invest in quality companies in industries such as Media, Advertising, Agriculture or Building Materials. Australian listed industrial companies outside the ASX 50 are our core focus, and we believe the LICs we manage provide pure access to these companies which may be lesser known by the broader investment community.



PERFORMANCE V LIQUIDITY FOCUS

We believe in taking advantage of inefficient markets; the perceived risk associated with low liquidity (or difficulty buying or selling large positions) combined with investor short-termism presents an opportunity to act based purely on the long-term value proposition where the majority may lose patience and move on. Often illiquidity is caused by aligned founders or management having significant holdings in a company. NAOS benefits from a closed-end LIC structure, which means we do not suffer 'redemption risk' and we can focus on finding quality undervalued businesses regardless of their liquidity profile.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy. NAOS is a signatory to the UN-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into our investment practices.



CONSTRUCTIVE ENGAGEMENT

NAOS entities are not activist investors; due to our investment approach it is common for NAOS to establish a substantial shareholding in a company with a long-term (five years+) investment horizon.

This approach allows us to supportively engage with the boards and/or management teams of our portfolio holdings.

Examples of constructive engagement where the NAOS investment team look to add value:

- Growth capital if/when required
- Messaging and communications
- Capital management decisions
- Company strategy
- Board composition

3.9 BOARD OF DIRECTORS OF NSC

Trevor Carroll – Independent Chairman

Trevor Carroll has been an Independent Director of the Company since 27 March 2017 and was appointed Chairman on 26 October 2017.

Trevor was formerly Australian and New Zealand CEO of Electrolux Home Products. With over 30 years' experience in consumer-focused Product Strategy, Brand Marketing and Manufacturing, Trevor's experience extends to the membership of the Electrolux Global Product Council responsible for Product Development worldwide. Following retirement as CEO, Trevor undertook a role in Shanghai advising Electrolux China on Product Strategy. In recent years Trevor has been a Director of The Good Guys, Fusion Retail Brands, Big Sister Food Group and Crane Group. He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008. Trevor holds a Bachelor of Commerce from Canterbury University (NZ).

David Rickards – Independent Director

David Rickards has been an Independent Director of the Company since 28 February 2018.

David is also an Independent Director and Chairman of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC). David is also Co-Founder of Social Enterprise Finance Australia and for the period 2006-2016 was a Director and Treasurer of Bush Heritage Australia. David has over 25 years of equity market experience, most recently as an Executive Director at Macquarie Group where David was head of equities research globally as well as equity strategy since 1989 until he retired in mid-2013. David was also a Consultant for the financial analysis firm Barra International.

David holds a Masters of Business Administration majoring in Accounting and Finance from the University of Queensland as well as two Bachelor degrees, one in Engineering (Civil and Structural) from the University of Sydney, and a Bachelor's degree in Science (Pure Mathematics and Geology).

Warwick Evans – Director

Warwick Evans has been a Director of the Company since 20 October 2017.

Warwick is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Asset Management Limited, the Investment Manager. Warwick has over 35 years of equity markets experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001 as well as being an Executive Director for Macquarie Group. He was the founding Chairman and Chief Executive Officer of the Newcastle Stock Exchange (NSX) and was also the Chairman of the Australian Stockbrokers Association. Prior to these positions he was an Executive Director at County NatWest.

Warwick holds a Bachelor's degree in Commerce majoring in Economics from the University of New South Wales.

Sebastian Evans – Director

Sebastian Evans has been a Director of the Company since 20 October 2017 and also joint Company Secretary since 10 July 2019.

Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and is Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager. Sebastian is the CIO across all investment strategies.

Sebastian holds a Masters of Applied Finance majoring in Investment Management (MappFin) as well as a Bachelor's Degree in Commerce majoring in Finance and International Business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.

The interests of the Directors in the Company as at the date of the Prospectus are set out in section 6.8.

3.10 SENIOR MANAGEMENT OF THE INVESTMENT MANAGER

Sebastian Evans – Chief Investment Officer

See section 3.9 above.

Robert Miller – Portfolio Manager

Robert joined NAOS in September 2009 as an investment analyst. Robert has been a portfolio manager since November 2014, and is currently portfolio manager across all of the NAOS listed investment companies; NAOS Small Cap Opportunities Company Limited (ASX: NSC), NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC). Robert holds a Bachelor's Degree in Business from the University of Technology, Sydney. Robert also holds a Masters of Applied Finance from the Financial Services Institute of Australasia/KAPLAN.

Richard Preedy – Chief Financial and Operating Officer

Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 14 years' financial services experience in the UK and Australia, beginning his career in London with Deloitte & Touche before relocating to Sydney in 2013. Richard holds a BA (Hons) in Business Management from the University of Sheffield, is a fully qualified Chartered Accountant, and a member of the Governance Institute of Australia.

Rajiv Sharma – Head of Legal & Compliance

Rajiv is Head of Legal & Compliance at NAOS and holds a Bachelor of Laws (First Class Honours), a Bachelor of Business (Accounting major) and a Graduate Diploma in Legal Practice from the University of Technology, Sydney. Rajiv has over 11 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management Group (TSX:EFN) and Magellan Financial Group (ASX:MFG). He has also previously worked at law firms Johnson Winter & Slattery and Clayton Utz. He is a member of the Law Society of New South Wales, an Associate of the Governance Institute of Australia and is admitted to the Supreme Court of New South Wales and the High Court of Australia.

Angela Zammit – Marketing & Communications Manager

Angela joined NAOS in May 2020 in the capacity of Marketing & Communications Manager. Prior to joining NAOS, Angela held Marketing roles for companies in both Australia and the UK including SAI Global, American Express, Citibank, and Arete Marketing. Angela holds a Bachelor of Communications degree majoring in Advertising & Marketing from the University of Canberra.

SECTION 4: EFFECT OF THE ISSUE ON THE COMPANY

4.1 EFFECT OF THE ISSUE ON THE COMPANY'S CAPITAL STRUCTURE

No cash is raised by the Company until Option holders exercise their Options. If all Options issued pursuant to the Issue are subsequently exercised by the Expiry Date, the effect on the Company would be as follows (based on the number of Shares on issue as at the date of this Prospectus):

- 1) The number of Shares on issue would increase by 51,442,633 Shares to approximately 205,770,532 Shares; and
- 2) The cash reserves of the Company would increase by approximately \$52,471,486.

Neither the Company nor the Investment Manager guarantee that any Options will be exercised or that any or all of those funds will be raised. If the Options are exercised and funds are raised, then the Company will have further capital to invest.

The capital structure of the Company as at the date of this Prospectus, and assuming completion of the Issue is set out below:

	As at date of this Prospectus	On completion of the Issue
Shares on issue	154,327,899	154,327,899
Options on issue ¹	Nil	51,442,633
Fully diluted capital ²	154,327,899	205,770,532

¹ Based on the number of Shares on issue on the date of this Prospectus and assuming 100% of Shares are held by Eligible Shareholders on the Record Date.

² Based on the number of Shares on issue on the date of this Prospectus and assuming 100% of shares are held by Eligible Shareholders on the Record Date and assuming all Options issued under this Prospectus are exercised to Shares.

The Company also currently has on issue \$27 million of unsecured, unsubordinated notes with an interest rate of 4.95% p.a. and a maturity date of 3 December 2024 (Notes), which were issued to professional and sophisticated investors on or about 3 December 2019. The Notes are redeemable at maturity, although the Company may redeem the Notes prior to maturity in certain circumstances. The Notes are not convertible into equity. Refer to the Company's ASX announcement dated 28 November 2019 for further information regarding the Notes.

There will be no change to the Board or the Company's corporate governance processes or any change to the identity of the Investment Manager of the Company as a result of the Issue.

4.2 EFFECT OF THE BUY-BACK ON THE COMPANY'S CAPITAL STRUCTURE

The Company is currently in the process of undertaking an on-market buy-back of up to 10% of the Company's issued Shares in accordance with the Corporations Act (Buy-Back). The Buy-Back commenced on 15 April 2021 and is expected to complete no later than 14 April 2022. As at the date of this Prospectus, the Company may buy-back up to 15,466,225 Shares under the Buy-Back.

The Buy-Back is currently being completed as the Board believes it is an efficient use of the Company's available funds and is accretive to NTA per Share so this benefits all Shareholders whilst the share price trades at a discount to the underlying asset value of the Company. Any Shares bought back by the Company will be cancelled, which will result in the total issued Shares of the Company decreasing.

4.3 USE OF ADDITIONAL CAPITAL RAISED ON EXERCISE OF OPTIONS

There will be no proceeds raised from the issue of the Options. The proceeds raised by the Company from Option holders exercising their Options will be used to enable the Investment Manager to make further investments consistent with the Company's investment strategy of generally investing in Australian undervalued listed small cap companies (market capitalisation generally between \$100 million and \$1 billion) with an industrial focus, as well as for general working capital. Further information about the Company's investment strategy and approach is set out in section 3 of this Prospectus.

4.4 UNAUDITED PRO-FORMA STATEMENT OF FINANCIAL POSITION

The unaudited pro-forma statement of financial position of the Company as at 31 December 2020 set out below is based on the auditor reviewed Half-year Financial Report for the Company released to ASX on 18 February 2021, adjusted for completion of the Issue and exercise of all Options.

The unaudited pro-forma statement of financial position is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the conclusion of the Issue. In particular, it does not reflect actual expenditure of funds since 31 December 2020.

References to "pro-forma" information are non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information). Non-IFRS financial information has not been subject to audit or review.

	As at 31 December 2020(i) \$'000	Effect of Option issue & exercise \$'000	Pro Forma Post Issue(ii) \$'000
ASSETS			
Current assets			
Cash and cash equivalents	140	52,359	52,499
Trade and other receivables	68	-	68
Prepayments	26	-	26
Financial assets at fair value through profit or loss	149,829	-	149,829
Total current assets	150,063	52,359	202,422
Non-current assets			
Trade and Other Receivables	2,000	-	2,000
Deferred tax assets	6,577	-	6,577
Total non-current assets	8,577	-	8,577
Total assets	158,640	52,359	210,999
LIABILITIES			
Current liabilities			
Trade and other payables	462	-	462
Total current liabilities	462	-	462
Non-current liabilities			
Borrowings	26,373	-	26,373
Deferred tax liabilities	4,773	-	4,773
Total non-current liabilities	31,146	-	31,146
Total liabilities	31,608	-	31,608
Net assets	127,032	52,359	179,391
EQUITY			
Issued capital	192,985	52,359	245,344
Profits reserve	36,656	-	36,656
Accumulated losses	(102,609)	-	(102,609)
Total equity	127,032	52,359	179,391

- (i) The column headed “As at 31 December 2020” is a summary statement of financial position of the Company as at 31 December 2020 based on the auditor reviewed statement of financial position of the Company taken from the Financial Report for the half year ended 31 December 2020.
- (ii) The column headed “Pro Forma Post Issue” is a statement of financial position of the Company as at 31 December 2020 (noting this is not audited or reviewed by the Company’s auditor) adjusted as if completion of the Issue had taken place on 31 December 2020 based on the following assumptions:
- a) 51,442,633 Options are issued and all of these Options are exercised at \$1.02 per Option, and 51,442,633 Shares were issued on 31 December 2020; and Issue expenses of \$112,356 were paid on 31 December 2020 (including ASX listing fees of approximately \$52,350).
- (iii) All amounts are in Australian Dollars unless otherwise noted.

4.5 STATEMENT OF COMPREHENSIVE INCOME

There will be no immediate effect on the Company’s statement of comprehensive income as a result of the issue of Options pursuant to this Prospectus, other than the costs of the Issue. The investment of any funds raised from the exercise of Options will ultimately impact the Company’s statement of comprehensive income as a result of the performance of the investment. Any such impact is not presently able to be quantified by the Directors or the Investment Manager.

4.6 NET TANGIBLE ASSETS PER SHARE

The month end net tangible assets per share for the 3 months to 30 April 2021 as reported by the Company to the ASX in accordance with Listing Rule 4.12 is set out below:

	28 February 2021	31 March 2021	30 April 2021
Pre-Tax NTA	\$0.91	\$0.96	\$1.02
Post Tax & Pre Unrealised Gains Tax NTA	\$0.95	\$0.99	\$1.05
Post Tax NTA	\$0.89	\$0.92	\$0.96
Share Price	\$0.76	\$0.755	\$0.79

4.7 OVERVIEW OF OPERATIONS AND RESULTS

For the half-year ended 31 December 2020, the Company reported total revenue of \$25.04 million (prior period: \$28.47 million) and an after-tax profit of \$16.64 million (prior period: \$18.10 million). Revenue for the half-year ended 31 December 2020 consisted of dividend and interest income of \$2.12 million, and changes in the market value of investments of \$22.92 million.

The pre-tax net tangible assets of the Company as at 30 April 2021 was \$156.83 million which equates to \$1.02 per Share. As at 30 April 2021, the Company has borrowings of \$27 million and a cash balance of approximately \$1.29 million.

SECTION 5: RISK FACTORS

This section describes some of the risks associated with dealing in and exercising the Options. The selection of risks set out below has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

You should carefully consider the risks described below and all of the other information set out in this Prospectus before deciding to deal in or exercise any Options. If any of the events or developments described below occurs, the Company's business, financial condition or performance could be negatively affected. In that case, the market price of the Options and the Shares could decline, and you could lose all or part of your investment.

5.1 RISKS ASSOCIATED WITH OPTIONS

Exercise price of Options

There is no guarantee the Options will trade on the ASX or that there will be a liquid market for the Options. If Options are exercised, there is no guarantee that Shares issued on exercise of those Options will trade above the exercise price paid for those Shares.

Dilution

If you do not exercise the Options, because either you sell those Options on market, because you allow those Options to expire without being exercised, or you do not receive Options because you are an Excluded Holder, and other investors exercise their Options, your shareholding will be diluted.

5.2 RISKS ASSOCIATED WITH NSC

Key risks relating to NSC are set out below. It is not, however, possible to describe all the risks to which NSC may become subject and which may impact adversely on NSC's prospects and performance.

5.2.1 Small cap companies risk

NSC invests in companies regarded as having small market capitalisation. Small cap companies often have limited customers, product lines, markets or financial resources, may be heavily dependent on key personnel and can be more susceptible to losses and risks of insolvency. Small cap companies may be recently established entities with limited public information or operating history and may be engaged in new-to-market concepts which may be speculative in nature. Shares in small cap companies may be susceptible to wider price fluctuations, may trade less frequently and in smaller volumes and therefore may be affected by liquidity risk to a greater degree than shares in larger companies. Any of these factors may in turn materially adversely impact the performance of NSC and the price at which the Options or Shares trade at.

5.2.2 Liquidity risk for shares in portfolio companies

Positions in small cap stocks such as those held by the Issuer, can be difficult to sell and convert into cash, as the market for these types of investments is inherently smaller and less liquid. The risks associated with a lack of liquidity of shares in the portfolio companies are further increased due to the Issuer's concentrated investment style and it having a substantial holding in many of the companies within the investment portfolio. Although the Investment Manager constructs its investment strategy having regard to liquidity constraints, there is a risk that one or more of the holdings in the Investment Portfolio (from time to time) may become illiquid. This can result in a loss if the Issuer needs to sell such investments within a particular time frame.

5.2.3 Liquidity risk for Options and Shares in the Company

While NSC will apply for the quotation on ASX of the Options and any Shares issued on exercise of the Options, there is no guarantee that ASX will grant quotation of the Options or Shares (as applicable) or that an active trading market for the Options or Shares will arise. There is also no guarantee that such Shares will trade above the exercise price paid for the Shares on exercise of the Options. There may be relatively few prospective buyers or sellers of the Options or the Shares on the ASX at any given time.

5.2.4 Concentration risk

NSC's Investment Portfolio will generally only hold between 0-20 positions. This means that NSC's Investment Portfolio is concentrated in nature and it has a substantial holding in many of the companies. As a result, there is the risk that the Investment Portfolio may be less diversified than other listed investment companies. This may increase the exposure that NSC has to abnormal falls in the market price of any single investment and in turn could negatively impact the value of Options or Shares.

5.2.5 Borrowings risk

NSC currently has \$27 million of borrowings (refer to Section 4.1 for further details). As the Investment Portfolio is leveraged through the use of borrowings, this has the effect of magnifying the exposure to potential gains or losses. Whilst leverage creates an opportunity for greater yield and return, it also, at the same time, increases the exposure to capital risk (including the risk of not being able to repay the borrowings on maturity) and interest costs. Should NSC have insufficient cash to repay the face value of the borrowings on maturity, there is the risk that it may need to raise further debt (on terms less favourable to the current borrowings), reduce the size of its Investment Portfolio and/or issue Shares or other Securities in order to be able to raise sufficient funds to satisfy these payment obligations.

5.2.6 Dividend risk

Although NSC aims to provide a growing stream of quarterly dividends, franked to the maximum extent possible, provided it is within prudent business practices, there is no guarantee that dividends will be paid in the future, or that, dividends will remain at current levels or increase over time or that they will be franked. The payment of a dividend is contingent upon various factors, including but not limited to, the financial performance and profitability of NSC, the level of profit reserves, underlying performance of the Investment Portfolio and changes in regulations which are outside the control of NSC (refer to “regulatory risk” below for further information). The extent to which dividends are franked depends on the franking credits available to NSC. NSC’s ability to generate franking credits is dependent upon the receipt of franked dividends from the Investment Portfolio and the payment of tax.

5.2.7 Market risk and impact of COVID-19

There is a risk that investments that form part of NSC’s Investment Portfolio may fall in value over short or extended periods of time due to movements in the broader equity market. Shareholders in the Company are exposed to this risk directly through their holdings in Options and Shares issued on exercise of Options and indirectly through NSC’s Investment Portfolio. In particular, the events relating to the COVID-19 pandemic (and government responses) have resulted in significant market volatility including in the prices of securities trading on the ASX and there is continued uncertainty as to the economic outlook in Australia and globally. A prolonged decline in macroeconomic conditions (such as increased and sustained unemployment, subdued consumer confidence, economic recessions, further government lockdowns restrictions, downturns or extended periods of uncertainty or volatility) may adversely impact the value and liquidity of NSC’s securities (including the Options) and may also adversely affect the value of shares held by NSC in any of its portfolio companies which may adversely impact the value of NSC’s Net Tangible Assets per Ordinary Share.

5.2.8 Equity investment risks

As NSC is a listed investment company that seeks to invest in ASX listed small cap companies, NSC is exposed to risks inherently associated with investing in listed securities, which may include:

- the performance of the companies in which NSC invests;
- the level of dividend payments made by the companies in which NSC invests;
- the market prices of the securities in which NSC invests;
- the market liquidity of the securities in which NSC invests;
- the size of NSC’s Investment Portfolio;
- the concentrated investment style of the Investment Manager (which may increase the exposure that the Investment Portfolio has to abnormal falls in the market price of any single investment); and
- the ability to diversify risk.

5.2.9 Discount to NTA

Shares in NSC may trade on the ASX at a discount to the net asset value of the Investment Portfolio on a per Share basis and the performance of the Shares and the Options may not be correlated with the performance of the Investment Portfolio.

5.2.10 Economic risk

The investment returns of NSC’s Investment Portfolio are influenced by market factors including changes in the economic conditions (e.g. changes in interest rates and inflation), changes in the financial markets, changes to the legislative and political environment, as well as changes in investor sentiment. In addition, unexpected and unpredictable events affecting the economy (for example, natural disasters, epidemics, pandemics, acts of terrorism, adverse political changes (including changes in the relationship between Australia and its governments and other nations or their governments), international outbreaks of hostilities, civil wars and other similar occurrences) could add to wider equity market volatility and/or adversely impact on the business of some or all of the companies in the Investment Portfolio or their respective businesses.

5.2.11 Regulatory risk

NSC is exposed to the risk of changes to applicable laws and regulations or their interpretation, which could have a negative effect on NSC, its investments or returns to shareholders and NSC is also exposed to risks of non-compliance with reporting or other legal obligations. Changes in tax laws (or their interpretation by the courts and relevant authorities) impacting the taxation of shares (including the taxation of dividends) or companies (including the corporate tax rate) may adversely impact on Shareholder returns, as may a change to the tax payable by Shareholders in general. Any past or future interpretation of the taxation laws by the Company which is contrary to that of a revenue authority in Australia may give rise to additional tax payable.

5.2.12 Investment strategy risk

The success and profitability of NSC significantly depends on the ability of the Investment Manager to successfully and profitably manage NSC’s Investment Portfolio and invest in securities that have the ability to generate a positive return for NSC. There is a risk that the Investment Manager may fail to make investments that generate a positive return and may make investments that lose money.

5.2.13 Reputational risk

There is a risk of impairment of NSC's reputation arising from factors which could include poor performance, failure to meet regulatory obligations, involvement in public controversy in companies in which it invests or other high-profile issues, shareholder dissatisfaction, inappropriate director remuneration or general reputational concerns concerning certain other listed investment companies.

5.2.14 Industry risk

There are several industry risk factors that may affect the future operations or performance of NSC. These factors are outside the control of NSC. Such factors include increased regulatory and compliance costs and variations in legislation and government policies generally.

5.2.15 Key person risk

NSC is exposed to the risk that the Investment Manager may cease to manage NSC's Investment Portfolio. The ability of the Investment Manager to continue to manage the Investment Portfolio is dependent on a range of factors including, the maintenance of its AFSL, its continued solvency and the retention of its investment team. The loss of key personnel within the Investment Manager could have a negative effect on the performance of the Investment Manager and NSC.

5.3 GENERAL RISKS

The Company is also subject to general risks factors outside the control of the Company which may have a significant impact on the future performance of the Company. This may include but is not limited to the following:

- economic conditions in Australia and internationally which may have a negative impact on capital markets;
- many economies face major structural issues, particularly high sovereign debt levels;
- markets are likely to remain volatile for some time given international financial and trade conditions;
- earnings of companies in Australia which in the medium term may be negatively impacted by the general weakness in economic conditions;
- a slowdown in emerging markets, including China, which may impact economic growth in Australia;
- changes in investor sentiment and perceptions in local and international stock markets;
- changes in interest rates, exchange rates and the rate of inflation;
- changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism, military conflicts, adverse changes in relationships between governments and nations, international hostilities, epidemics, pandemics and threats of contagions.

In addition, investors should be aware that there are risks associated with any investment in securities. Prospective investors should recognise that the trading price of NSC's Shares and Options may fall as well as rise with movements in the equity capital markets in Australia and internationally.

SECTION 6: ADDITIONAL INFORMATION

6.1 COMPLIANCE WITH CHAPTER 2M AND SECTION 674 OF THE CORPORATIONS ACT

As at the date of this Prospectus, NSC has complied with the provisions of Chapter 2M of the Corporations Act as they apply to NSC and with section 674 of the Corporations Act.

6.2 LEGAL FRAMEWORK FOR THIS PROSPECTUS

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations. The Company has issued this Prospectus in accordance with section 713 of the Corporations Act, which allows disclosing entities to issue a prospectus with more limited disclosure than would generally be required for a full-form prospectus.

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

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 and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a securities exchange. Investors should therefore have regard to the other publicly available information of the Company before deciding whether to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the securities market conducted by ASX, throughout the three months before the issue of this Prospectus.

Information that is already in the public domain has not been included in this Prospectus other than that which is considered necessary to make this Prospectus complete.

As at the date of this Prospectus, there is no information that has been excluded from continuous disclosure in accordance with the Listing Rules and which is required to be set out in this Prospectus.

6.3 ACCESSING INFORMATION ABOUT NSC

NSC will provide a copy of any of the following documents free of charge to any Eligible Shareholder who so requests a copy in relation to this Prospectus:

- the financial statements of NSC for the half-year ended 31 December 2020 (being the most recent half-year financial statements lodged with ASX before the lodgement of this Prospectus);
- any document or financial statement lodged by NSC with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial statements and before the lodgement of this Prospectus; and
- NSC's Constitution.

Copies of NSC's financial statements are available at <https://www.naos.com.au/nsc-naos-small-cap-opportunities-company-limited>.

Copies of NSC's Constitution and copies of the financial statements are available on request from NSC's office on +61 2 9002 1576 or alternatively by emailing enquiries@naos.com.au.

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodgement of its half-year report for the half-year ended 31 December 2020 with ASX on 18 February 2021:

Date	Headline
17 May 2021	Update – Dividend/Distribution - NSC
11 May 2021	Investment Report & NTA Update - April 2021
30 April 2021	Notification of Cancellation of Shares
21 April 2021	Media Release - Q3 FY21 Quarterly Dividend Declaration
21 April 2021	Dividend/Distribution - NSC
15 April 2021	Final share buy-back notice - Appendix 3F
13 April 2021	Q3 FY21 Investor Update Webinar - Presentation Materials
12 April 2021	Investment Report & NTA Update - March 2021
8 April 2021	Daily share buy-back notice - Appendix 3E
1 April 2021	Announcement of buy-back - Appendix 3C
31 March 2021	Notification of Cancellation of Shares

31 March 2021	Daily share buy-back notice - Appendix 3E
29 March 2021	Invitation to NAOS Q3 FY21 Investor Update and Q&A
26 March 2021	Securities & Insider Trading Policies - updated version
26 March 2021	Daily share buy-back notice - Appendix 3E
24 March 2021	Daily share buy-back notice - Appendix 3E
23 March 2021	Daily share buy-back notice - Appendix 3E
22 March 2021	Change of Director's Interest Notice - W Evans
22 March 2021	Change of Director's Interest Notice - D Rickards
22 March 2021	Change of Director's Interest Notice - T Carroll
19 March 2021	Invitation to Investor Q&A Webinar
18 March 2021	Daily share buy-back notice - Appendix 3E
15 March 2021	Daily share buy-back notice - Appendix 3E
12 March 2021	Notification of Cancellation of Shares
12 March 2021	Company Secretary Appointment/Resignation
11 March 2021	Priority Offer for NSC Shareholders
10 March 2021	Update - Dividend/Distribution - NSC
8 March 2021	Investment Report & NTA Update - February 2021
1 March 2021	Daily share buy-back notice - Appendix 3E
26 February 2021	Daily share buy-back notice - Appendix 3E
25 February 2021	Daily share buy-back notice - Appendix 3E
23 February 2021	Daily share buy-back notice - Appendix 3E
22 February 2021	Notification of Cancellation of Shares
22 February 2021	Daily share buy-back notice - Appendix 3E
19 February 2021	Daily share buy-back notice - Appendix 3E
18 February 2021	Media release - Half-Year Results and Dividend Declaration
18 February 2021	Daily share buy-back notice - Appendix 3E
18 February 2021	Dividend/ Distribution - NSC

6.4 CORPORATE GOVERNANCE

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent that they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

A summary of the Company's corporate governance policies and procedures is available in the Company's Corporate Governance Statement on the Company's website at <https://www.naos.com.au/nsc-naos-small-cap-opportunities-company-limited>

6.5 TERMS OF THE OPTIONS

The terms of the Options are set out below.

- **Exercise Price:**

Each Option has an exercise price of A\$1.02.

- **Exercise Period:**

An Option may be exercised on any Business Day from the date of grant to 28 June 2024 (inclusive) but not thereafter. An Option Exercise Form is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

- **Expiry Date:**

The expiry date for the Options is 28 June 2024.

- **Quotation of Options:**

The Company will apply for quotation of the Options on the ASX.

- **Register:**

The Company will maintain a register of holders of Options in accordance with section 168(1)(b) of the Corporations Act.

- **Transfer/Transmission:**

An Option may be transferred or transmitted in any manner approved by the ASX.

- **Exercise:**

On valid exercise, the Company will issue one Share for each Option exercised. Options may be exercised wholly or in part by delivery to the Registry of the Option Exercise Form together with payment of the aggregate exercise price in the manner prescribed in section 2.3 of this Prospectus and any further instructions on the Option Exercise Form.

- **Quotation of Shares:**

The Company must make an application for quotation of Shares issued on exercise of the Options on ASX in accordance with the Listing Rules.

- **Dividend entitlement:**

Options do not carry any dividend entitlements. Shares issued on exercise of Options rank equally with other issued Shares of the Company on and from issue. Shares issued upon the exercise of Options will only participate in a future dividend or other shareholder action if such Shares have been issued on or prior to the applicable record date for determining entitlements.

- **Voting Rights:**

The Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.

- **Reorganisations:**

If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation.

- **Participating rights:**

For determining entitlements, Option holders may only participate in new issues of Securities to holders of Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date of the proposed new issue. The Company must give at least six business days' notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

- **Adjustments:**

If between the date of issue and the date of exercise of an Option the Company undertakes a pro-rata issue (other than a bonus issue), the Exercise Price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OP - E [P - (S + D)] / (N + 1)$$

Where:

NE is the new exercise price of the Option; OP is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the volume weighted average market price per Share recorded on ASX during the 5 trading days ending on the day before the ex-rights date or ex-entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Security to be issued under the pro rata issue;

D is the amount of any dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue);

N is the number of existing Shares with rights or entitlements that must be held to receive a right to one new Share under the pro rata issue.

If there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

- **ASX listing:**

The Company must apply for quotation of the Shares issued on exercise of the Options to the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

6.6 OTHER FOREIGN JURISDICTIONS

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to apply for Options in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to "US Persons". The Options have not been, and will not be registered under the US Securities Act and may not be offered or sold in the United States or to US Persons except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US 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 Options in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

6.7 RIGHTS ATTACHING TO THE COMPANY'S SHARES

A summary of the rights attaching to the Company's Shares as contained in the Company's Constitution is set out below. This summary is not intended to be exhaustive. Each Share confers 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 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) subject to the restrictions on voting that may affect the Shares;
- the right to receive dividends;
- the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to the rights of a liquidator of the Company (with consent of members by special resolution); and
- subject to the Corporations Act and the Listing Rules, Shares are fully transferrable.

The rights attaching to Shares may be varied with the approval of shareholders at a general meeting by special resolution.

6.8 DIRECTORS' INTERESTS

Other than as set out below or elsewhere in this Prospectus:

- no Director has, or has had in the 2 years prior to lodgement of this Prospectus with ASIC, an interest in:
 - (a) the formation or promotion of NSC;
 - (b) any property acquired, or proposed to be acquired, by NSC in connection with:
 - i. its formation or promotion; or
 - ii. the Issue; or
 - (c) the Issue.
- no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or any proposed Director or to any firm in which any Director or proposed Director is or was a partner:
 - (a) to induce that person to become, or to qualify as, a director of NSC; or
 - (b) for services provided by that person or by the firm in which that person is or was a partner in connection with the formation or promotion of NSC or the Issue.

6.8.1 Holdings of Ordinary Shares and Options

The Directors have the following interests in NSC, either directly or indirectly as at the date of the Prospectus:

Directors	Ordinary Shares ¹
Trevor Carroll	191,583
Warwick Evans	585,485
Sebastian Evans	1,158,500 ²
David Rickards	333,770

1. The number of Shares does not include any Shares that may be Issued on exercise of Options that are received under the Issue by Directors and their Associates who are Eligible Shareholders.

2. Ordinary Shares held by the Investment Manager. Sebastian Evans is a major shareholder of the Investment Manager.

6.8.2 Remuneration

Details of the remuneration paid to Directors can be found in NSC's Remuneration Report contained in NSC's annual report for the financial year ended 30 June 2020. The table below summarises the Director's remuneration which was paid for the financial year ended 30 June 2020:

Directors	Total
Trevor Carroll	\$35,000
Warwick Evans	\$25,000
Sebastian Evans	Nil – Sebastian Evans is remunerated by the Investment Manager and does not receive directors' fees
David Rickards	\$25,000

The maximum aggregate annual cash fee pool from which non-executive directors may be paid for their services as members of the Board, inclusive of superannuation contributions as approved by Shareholders is \$750,000. Any increase to the aggregate annual amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate.

Directors may be paid additional amounts from time to time in accordance with NSC's Constitution.

6.8.3 Indemnity, insurance and access

NSC has entered into deeds of access and indemnity with all of its Directors setting out the rights of those Directors to access Board papers and to be indemnified by NSC, including after they cease to be a Director.

NSC also maintains directors' and officers' liability insurance to the extent allowable by law.

6.9 RELATED PARTY DISCLOSURES

Sebastian Evans is a director and major shareholder of the Investment Manager. Warwick Evans is also a director and shareholder of the Investment Manager. Sebastian Evans and Warwick Evans will each benefit indirectly from any fees paid to the Investment Manager in accordance with its role as investment manager for NSC.

Details of fees payable to the Investment Manager are set out below:

- Management Fees: The Investment Manager is entitled to be paid a management fee of 1.15% p.a. (excluding GST) of the gross value of the Investment Portfolio. For the half-year ended 31 December 2020, this management fee amounted to \$835,223 (excluding Reduced Input Tax Credits (RITC)).
- Performance Fees: The Investment Manager is entitled to be paid, annually in arrears, a performance fee being 20% p.a. (excluding GST) of the amount the Investment Portfolio outperforms the S&P/ASX Small Ordinaries Accumulation Index (Benchmark Index). No performance fee is payable if the Investment Portfolio underperforms the Benchmark Index. Any underperformance to the Benchmark Index is carried forward to future performance calculation periods and must be recouped before the Investment Manager is entitled to a performance fee. No performance fee was paid to the Investment Manager for the half-year ended 31 December 2020.

In addition, for the half-year ended 31 December 2020 the Investment Manager was paid total fees of \$90,000 (excluding GST) for the provision of company secretarial, administrative, financial and accounting services.

6.10 INTERESTS OF EXPERTS

Other than set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of NSC; or
- the Arranger to the Issue,

(each, a relevant person) holds, at the time of lodgement of this Prospectus with ASIC, or has held in the 2 years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of NSC;
- the Issue; or
- any property acquired or proposed to be acquired by NSC in connection with its formation or promotion of the Issue.

Other than as set out in this Prospectus, no relevant person has paid or agreed to pay any amount or given or agreed to give any benefits for services provided by a relevant person in connection with the formation or promotion of NSC or the Issue.

The amounts set out below are exclusive of GST.

Gilbert + Tobin has acted as Australian legal adviser in respect of the Issue. In aggregate, NSC has paid or agreed to pay approximately \$25,000 (plus disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time based charges.

Taylor Collison Limited ABN 53 008 172 450 has acted as Arranger to the Issue. Taylor Collison will not be paid any fees.

6.11 ISSUE EXPENSES

If the Issue proceeds, the total estimated expenses in connection with the Issue (including legal, printing, registry, ASIC and ASX fees) are estimated to be approximately \$112,356 excluding GST. A summary of these Issue costs is set out below.

Issue Costs	A\$
Legal fees including foreign adviser legal fees	25,000
Registry and printing fees	31,800
ASIC and ASX fees	55,556

The Company will pay all the costs associated with the Issue.

6.12 ASIC INSTRUMENTS

The Issue is made pursuant to ASIC Corporations (Exposure Period) Instrument 2016/74 which exempts the Company from complying with section 727(3) of the Corporations Act to the extent that section prohibits the Company from issuing Options in the seven-day period after the date of lodgement of the Prospectus with ASIC.

The Issue is also made pursuant to ASIC Corporations (Application Form Requirements) Instrument 2017/241 which exempts the Company from complying with section 723(1) of the Corporations Act to the extent that section only permits an issue of Options in response to an application form included in or accompanied by a disclosure document.

6.13 CONSENTS

None of the parties referred to below have authorised or caused the issue of this Prospectus or made or purported to have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. 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 a statement included in this Prospectus with the consent of that party, as specified below.

Gilbert + Tobin has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Boardroom Pty Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Taylor Collison Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

6.14 ACKNOWLEDGEMENT AND PRIVACY STATEMENT

NSC will collect, hold, use, and disclose personal information provided by investors in connection with an investment in the Company. This means that NSC will need to collect your personal information (for example, your name, address and details of your investment in the Company).

NSC 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, NSC and its Registrar may not be able to process your Application.

You acknowledge that the personal information submitted as part of the Option Exercise Form or other forms and otherwise provided to NSC (directly or via its agents, including the Registrar) will be collected, used and disclosed by NSC (and its agents, including the Registrar) in order to process your Option Exercise Form, service your needs as an investor, provide facilities and services that you request, carry out appropriate administration, send you information about the products and services of NSC, the Investment Manager and other companies managed by the Investment Manager, including future offers of securities and as otherwise required or authorised by law (including, without limitation, any law relating to taxation, money laundering or counter-terrorism).

NSC may also share your personal information with its service providers or others who provide services on its behalf. Some of these recipients may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law. You acknowledge that if you do not provide the personal information required by the Option Exercise Form or other forms, it might not be possible to process your form, administer your security holding and/or send you information about the products and services of NSC, including future offers of securities.

Under the Corporations Act, certain information provided as part of an Option Exercise Form or other form applicable to your investment must be included in NSC's registers, which will be accessible by the public.

The information contained in NSC's registers must remain there even if a person ceases to be a Shareholder. Information contained in NSC's registers is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that NSC may wish to communicate to its Shareholders) and compliance by NSC with legal and regulatory requirements. A Shareholder has a right to access and correct the information that NSC and the Registrar hold about that person, subject to certain exemptions under law.

If you do not wish to receive information about the products and services of NSC or the Investment Manager, including future offers of securities, please contact NSC's office on +61 2 9002 1576 (Monday to Friday, 8:30am to 5:30pm, Sydney time) and request that NSC does not send you marketing material.

NSC's privacy policy is available on NSC's website at www.naos.com.au and contains information about how you may access and seek correction of the personal information that NSC holds about you, how you may complain about a breach of the Privacy Act 1988 (Cth) by NSC and how NSC will deal with such a complaint.

The Registrar's complete privacy policy is available at the Registrar's website, www.boardroomlimited.com.au. Queries regarding the Registrar's privacy policy may also be emailed to privacyofficer@boardroomlimited.com.au.

6.15 GOVERNING LAW

This Prospectus, the Issue and the contracts that arise from the exercise of Options in accordance with the terms of the Issue are governed by the laws applicable in New South Wales, Australia and each Eligible Shareholder and their transferees submit to the exclusive jurisdiction of the courts of New South Wales.

6.16 CONSENT TO LODGEMENT

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC under the Corporations Act.

SECTION 7: GLOSSARY

\$ or **dollars** means Australian dollars.

Arranger means Taylor Collison Limited (ABN 53 008 172 450).

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

Board means the board of Directors.

Business Day means a day which is a business day within the meaning of the Listing Rules.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means an existing director of NSC.

Eligible Shareholders means registered holders of Shares as at 5:00pm (Sydney time) on the Record Date with a registered address in Australia and New Zealand.

Excluded Holders means registered holders of Shares as at 5:00pm (Sydney time) on the Record Date who are in jurisdictions outside Australia and New Zealand and which the Company has formed the view that it is unreasonable to make the Issue to having regard to:

- the number of Excluded Holders within the relevant jurisdiction;
- the number and value of Shares held by those Excluded Holders; and
- the cost of complying with overseas legal requirements within the relevant jurisdiction.

Expiry Date means 28 June 2024.

Investment Manager or **NAOS** means NAOS Asset Management Limited (ABN 23 107 624 126).

Investment Portfolio means the portfolio of investments of the Company from time to time.

Issue means the issue of Options offered to Eligible Shareholders under this Prospectus.

Issuer or **NSC** or the **Company** means NAOS Small Cap Opportunities Company Limited (ABN 47 107 617 381).

Listing Rules means the listing rules of ASX.

Notes has the meaning given to it in section 4.1.

NTA means net tangible assets.

Option means an option to acquire a Share with an exercise price of \$1.02 to be granted pursuant to this Prospectus.

Option Exercise Form means the personalised Option Exercise Form that will be sent to Eligible Shareholders to complete and return to the Registry in order to exercise an Option.

Option Holding Statement means the personalised Option Holding Statement that will be sent to Eligible Shareholders shortly after the date of this Prospectus showing the number of Options issued to each Eligible Shareholder under this Prospectus.

Prospectus means this prospectus dated 19 May 2021.

Record Date means 25 May 2021.

Registrar means the Company's share registry, Boardroom Pty Limited (ABN 14 003 209 836)

Related Body Corporate has the meaning given to that term in the Corporations Act.

Security has the meaning given to it in the Listing Rules.

Shares means a fully paid ordinary share in the Company.

Shareholder means a registered holder of Ordinary Shares.

U.S. Securities Act means the United States Securities Act of 1933, as amended.

U.S. Person has the meaning given to it in Regulation S under the U.S. Securities Act.

Issuer

NAOS Small Cap Opportunities Company Limited
Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000
Telephone: (02) 9002 1576

Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW, 2000
Telephone: 1300 737 760

Arranger

Taylor Collison Limited
ABN 53 008 172 450
Level 16,
211 Victoria Square
Adelaide, South Australia, 5000

Legal Adviser

Gilbert + Tobin
Level 35, Tower Two, International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000

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