

Quarterly Activities Report and Appendix 4C

Quarter ended: 30 June 2018

About Threat Protect

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end to end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it **“Security Without Compromise”**.

GROWTH STRATEGY

The Australian security industry is highly fragmented and Threat Protect believes is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model.

Threat Protect’s growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

Threat Protect secures \$15m Funding Facility during June Quarter to pursue future acquisition opportunities

Threat Protect Australia Limited (**“Threat Protect”** or **“Company”**) (ASX: **“TPS”**) is pleased to provide its quarterly market activity update.

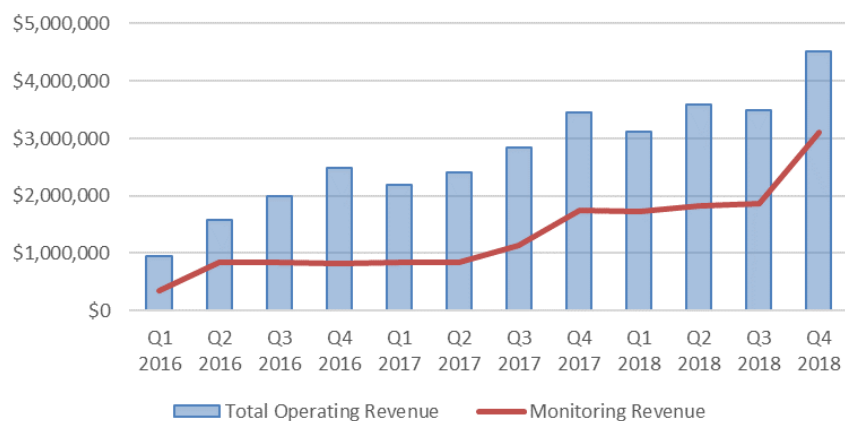
HIGHLIGHTS

- Operating revenue for March quarter of \$4.5 million, which is \$1 million (30.0%) above last quarter result and above budget, with a YOY total revenue growth increase of 30.6%.
- Monitoring revenue for March quarter of \$3.1 million, which is \$1.2 million (67.0%) above last quarter result and budget, and showing a YOY total revenue growth increase of 77.6%.
- Securing of a \$15.0 million debt facility to finance that provides the Company with readily available finance to pursue future acquisition opportunities.
- Cash at bank of \$1.1 million.

OPERATING REVIEW

The Company’s operating revenue has grown substantially in the June quarter, with the recent acquisition of Security Alarm Monitoring Service Pty Ltd (**“SAMS”**) increasing the Company’s operating revenue by \$1 million to \$4.5 million for the quarter.

TPS Quarterly Operating Revenue



Securing of Debt Funding Facility

On 28 May 2018 the Company announced it had secured a \$15.0 million Revolving Bilateral Facility Agreement (“Facility”) with Macquarie Bank Limited. Key terms of the facility were detailed in the announcement.

The \$15.0 million is made up of three facilities:

- Facility A – Revolving Line of Credit
- Facility B – Bank Guarantee Facility
- Facility C – Overdraft Facility

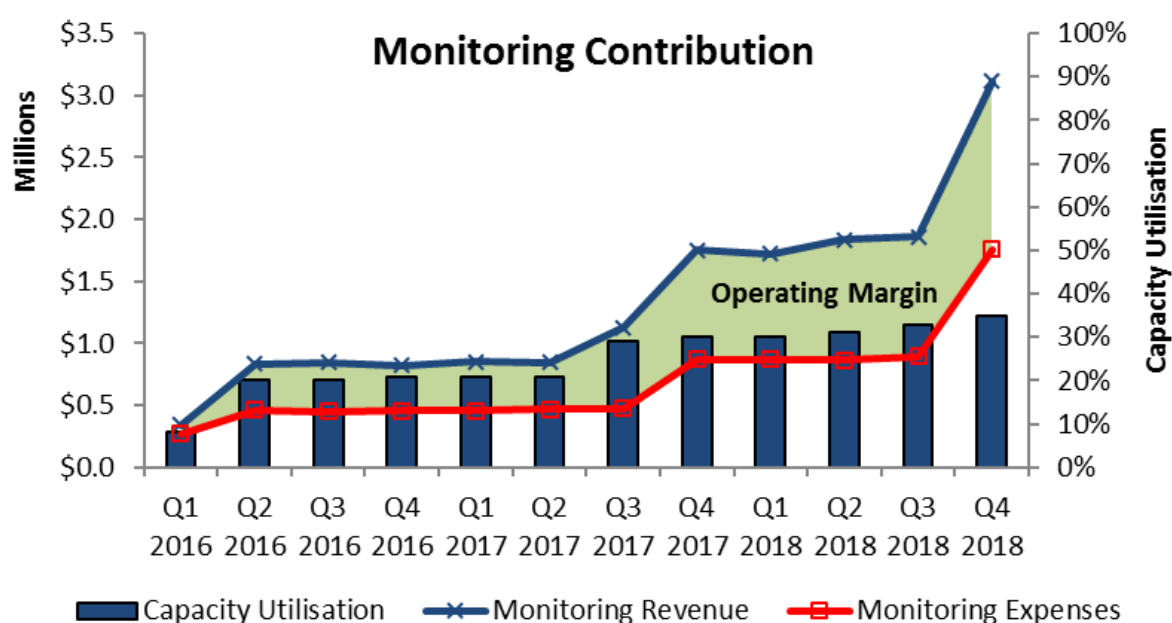
Facility funding was conditional on the Company obtaining shareholder approval for the conversion of convertible notes issued to First Samuel Limited into shares in the Company, which was received at an Extraordinary General Meeting held on 5 July 2018.

Application of the funding facility included the refinancing of the balance of its existing \$3.825 million credit facility with National Australia Bank. The refinancing arrangements will immediately reduce current interest costs of the Company by approximately \$65,000 per annum and provide the Company with a further \$4.4 million for acquisition activities, and working capital requirements.

Security System Monitoring Services

With the recent acquisition of SAMS monitoring revenue pushing the RMR to over \$1 million, total monitoring revenue was \$3.1 million for the June quarter. Comparison to the June 2017 quarter shows monitoring revenue growth has increased 77%.

The Company has identified several other significant acquisition opportunities with a view to further increasing scale and margin uplift further, and is actively conducting due diligence on these prospective acquisition targets.



Security Manning and Consulting Services

Manning and consulting revenue for the June quarter remained consistent.

The sources of revenue for the quarter reflect the focus of the business unit towards contracts with a greater component of recurring work and security consultancy.

Threat Protect was also very pleased to extend its services with a major utilities client until May 2020. This will secure this revenue for an additional 12 months and confirms the outstanding services and reputation of the company within the industry.

CORPORATE AND FINANCIAL

The Company recorded a net cash inflow from operating activities of \$784k during the quarter, which increases to \$1.2 million after adding back \$432k in once off business acquisition and integration activities completed, and costs of due diligence activity on current opportunities at the end of the June quarter.

Threat Protect also announced in May 2018 that Simon Whybrow has accepted the role of Chief Commercial Officer, with Karen Haynes being promoted and takes over his previous role as Chief Financial Officer.

On 7 June 2018 the Company announced an earnings guidance for the Financial Year Ended 30 June 2019.

The Board expects FY19 Revenue to be in excess of \$17.0 million, and FY19 Normalised EBITDA to be in the range of \$3.8 - \$4.0 million. Normalised EBITDA excludes any "one off and non-recurring" items that are associated with the purchase and integration of recent/ future business acquisitions'.

Cash at bank at the end of June was \$1.1 million, not including an amount of \$800k (being 50% of the retention payment payable to SAMS in March 2019) that has been set aside in a bank account under escrow.

- End -

For further information, contact:

Investors

Demetrios Pynes

Managing Director

Threat Protect Australia Limited

+ 61 414 984 806

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Threat Protect Australia Limited

ABN

36 060 774 227

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,285	16,970
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(2,517)	(8,493)
(c) advertising and marketing	(29)	(96)
(d) leased assets	-	-
(e) staff costs	(1,895)	(5,863)
(f) administration and corporate costs	(246)	(967)
1.3 Dividends received	-	-
1.4 Interest received	15	24
1.5 Interest and other costs of finance paid	(187)	(904)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	790	1,562
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(432)	(1,172)
1.9 Net cash from / (used in) operating activities	784	1,062

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(389)
(b) businesses, net of cash acquired (see item 10 and note below)	(1,605)	(10,301)
(c) investments	(216)	(816)
(d) intellectual property	-	-
(e) intangible assets	(469)	(2,144)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	15	15
(d) intellectual property	-	-
(e) other non-current assets	-	28
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other -	-	-
2.6 Net cash from / (used in) investing activities	(2,296)	(13,607)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	4,699	16,298
3.6 Repayment of borrowings	(2,775)	(3,344)
3.7 Transaction costs related to loans and borrowings	(378)	(430)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,546	12,522

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,106	1,163
4.2 Net cash from / (used in) operating activities (item 1.9 above)	784	1,062
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,296)	(13,607)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,546	12,522
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	1,140	1,140

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,140	1,106
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,140	1,106

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	98
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' fees, salaries and superannuation.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1. 14,000	2,646
	2. 800	831
8.2 Credit standby arrangements	-	-
8.3 Other	3. 9,000	9,000
	4. 8,000	8,000

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured.

1. Macquarie Bank Secured Revolving Line of Credit. Current Interest Rate 5.50% pa.
2. Macquarie Bank Overdraft Facility. Current Interest Rate 6.75% pa.
3. Unsecured Convertible Note (issued by First Samuel Limited on behalf of its MDA clients). Current Interest Rate 9.0% pa.
4. Unsecured Debenture (issued by First Samuel Limited). Current Interest Rate 6.0% pa.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Operating costs	(2,576)
9.3 Advertising and marketing	(7)
9.4 Leased assets	-
9.5 Staff costs	(1,797)
9.6 Administration and corporate costs	(242)
9.7 Interest payments	(587)
9.8 Repayment of borrowings	(67)
9.9 Purchase of intangible assets	(504)
9.10 Purchase of property, plant & equipment	(60)
9.11 Total estimated cash outflows	(5,840)

Cash outflows for next quarter is the consolidation of operating costs of Threat Protect, inclusive of the newly acquired business. It excludes any estimated operating cash inflows.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



 Company Secretary

Date: 31 July 2018

Print name: Simon Whybrow

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.