

Quarterly Activities Report and Appendix 4C Quarter ended: 31 March 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 expands national presence with further strong acquisition activity during March Quarter

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 \$3.5 million, which is slightly above last quarter result and above budget, representing YOY total revenue growth increase of 23%.
- Monitoring revenue for March quarter of \$1.8 million, which is also slightly above last quarter result and budget, and showing a YOY total revenue growth increase of 65%.
- Major acquisition completed of a leading South Australian monitoring company Security Alarm Monitoring Service Pty Ltd (**“SAMS”**) in March 2018, adding over 22,100 connections – and pushing the Company’s recurring monthly revenue (**“RMR”**) to over \$1 million from April 2018.
- Cash at bank of \$1.1 million.

OPERATING REVIEW

Operating revenue growth has stabilised in the March quarter, with the recent acquisition of SAMS to add over \$1 million of revenue to the June Quarter.

TPS Quarterly Operating Revenue



Acquisition Activity

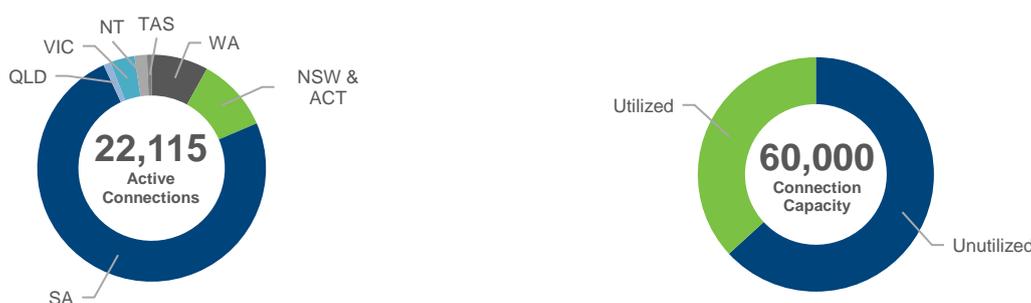
During the March quarter, Threat Protect announced that it had acquired Security Alarm Monitoring Service Pty Ltd (“SAMS”), a South Australian based security services business for approximately \$8.0m.

Established in 1996, SAMS has grown to be a major privately-owned security monitoring service provider in South Australia, with currently 22,115 monitored connections serviced by 218 resellers. SAMS is anticipated to contribute in excess of \$5.0 million in monitoring revenue annually, increasing existing monitoring revenue by ~65% (based on current revenue levels).

Through this acquisition, the Company now also owns and operates a purpose built monitoring centre located in Port Lincoln, with a total capacity of 60,000 connections, accredited by ASIAL (Australian Security Industry Association Limited) as “Grade A1”.

This also increases the Company’s RMR to over \$1 million from April 2018.

SAMS Customer Base



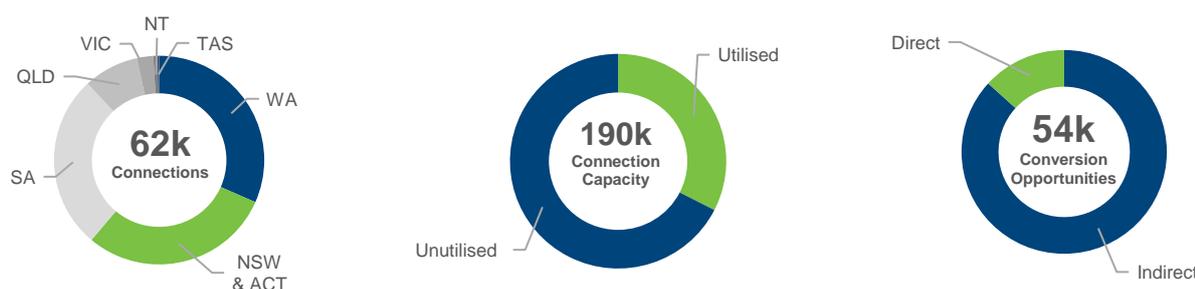
The agreed acquisition price of approximately \$8.0 million comprises:

- \$6.4 million in cash has now been transferred as the first tranche payment of the Acquisition; and
- The balance to be paid in cash 12-months post completion subject to a reconciliation of working capital and invoiced revenue.

The first tranche of the Acquisition was fully funded by Threat Protect’s recently executed acquisition Debenture Facility with First Samuel, which was announced in February 2018.

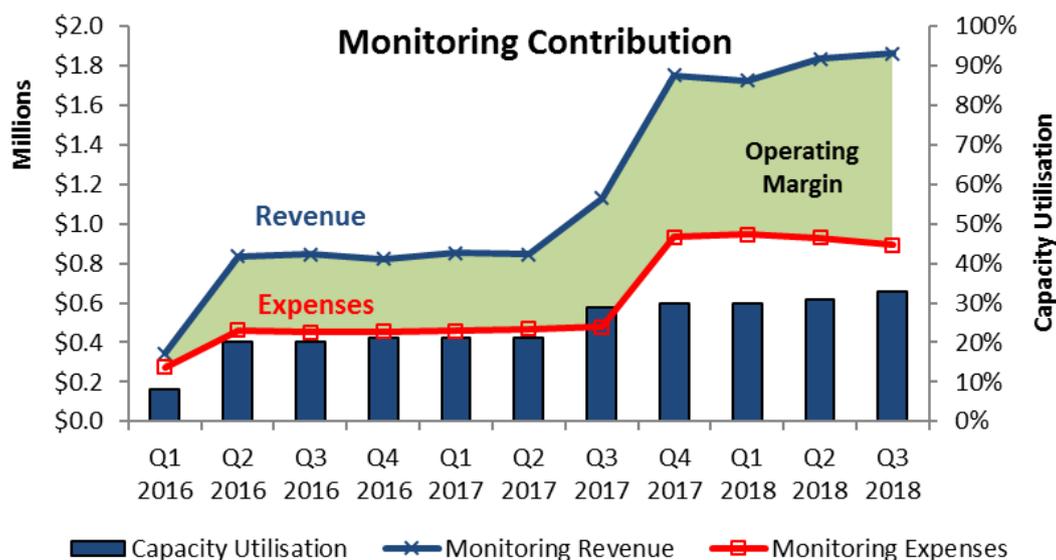
The Company expects the Acquisition to be immediately earnings per share accretive and to positively contribute to Threat Protect’s June quarter revenue and earnings.

Pro-forma Monitoring Division



Security System Monitoring Services

With the recent acquisition of SAMS not yet contributing to the RMR, monitoring revenue for the March Quarter has stayed steady at \$1.8 million. Comparison to the March 2017 quarter shows monitoring revenue growth has increased 65%.



With the focus of the Company’s acquisition for the quarter being SAMS, which was only acquired late in March, the full benefit of revenue uplift will commence to be realised in the coming quarters.

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.

We anticipate that market updates will be provided as these proposed transactions are formalised in the June 18 quarter.

Security Manning and Consulting Services

Manning and consulting revenue for the March Quarter stayed steady in comparison with prior year, at \$1.3 million for the quarter.

The Company has identified opportunities within the consulting side of the business to increase revenue into the upcoming June Quarter. New clients in the resources sector, hospitality and accommodation sector, and a key client in the NFP sector will add some depth the recurring annual revenue into FY19. Key contracts will stabilise through the annual period of low event activity, with an increase in projected scheduled activities in the coming quarters.

Consulting has been continuing to improve with expansion of services to an existing client expecting to add recurring revenue to this portion of the division, and repeat business from previously serviced clients contributing steady numbers throughout this quarter.

The Company is also proud to have commenced an association and operational partnership with Ronald McDonald House, the charity organisation supporting the families of children diagnosed with serious and life-threatening illnesses.

This engagement involves a variety of the Threat Protect’s suite of security services including complimentary use of the security app “SafeHaven”, demonstrating the evolving market trend towards a single source security service.

CORPORATE AND FINANCIAL

The Company recorded a net cash used in operating activities of \$458k during the quarter, however this reduces to \$100k after adding back \$340k in once off business acquisition and integration activities completed, and costs of due diligence activity on current opportunities at the end of the March quarter.

The Company is continuing to evaluate several major funding opportunities to further contribute to the ongoing acquisition strategy.

Cash at bank at the end of March was \$1.1 million, not including an amount of \$600k (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

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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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,281	11,686
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(2,558)	(5,976)
(c) advertising and marketing	(29)	(67)
(d) leased assets	-	-
(e) staff costs	(1,269)	(3,968)
(f) administration and corporate costs	(148)	(721)
1.3 Dividends received	-	-
1.4 Interest received	7	8
1.5 Interest and other costs of finance paid	(403)	(716)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	772
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(339)	(740)
1.9 Net cash from / (used in) operating activities	(458)	278

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(367)
(b) businesses, net of cash acquired (see item 10 and note below)	(6,338)	(8,696)
(c) investments	(600)	(601)
(d) intellectual property	-	-
(e) intangible assets	(69)	(1,675)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(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	(7,007)	(11,311)
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	8,000	11,599
3.6 Repayment of borrowings	(63)	(571)
3.7 Transaction costs related to loans and borrowings	(52)	(52)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	7,885	10,976

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	686	1,163
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(458)	278
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7,007)	(11,311)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,885	10,976
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	1,106	1,106

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	1,106	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)	1,106	1,106

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000

106

-

- 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. 1,600	1,600
	2. 500	481
	3. 1,212	580
8.2 Credit standby arrangements	-	-
8.3 Other	4. 9,000,000	7,800,000
	5. 8,000,000	8,000,000

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

1. National Australia Bank Secured Loan. Current Interest Rate 5.470% pa
2. National Australia Bank Secured Working Capital Facility. Current Interest Rate 5.465% pa
3. National Australia Bank Secured Business Acquisition Facility. Current Interest Rate 5.465% pa
4. Unsecured Convertible Note (issued by First Samuel Limited on behalf of its MDA clients). Interest rate 9.0% pa.
5. 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	(2,683)
9.3 Advertising and marketing	(28)
9.4 Leased assets	-
9.5 Staff costs	(1,556)
9.6 Administration and corporate costs	(292)
9.7 Interest payments	(234)
9.8 Repayment of borrowings	(60)
9.9 Purchase of intangible assets	(120)
9.10 Purchase of property, plant & equipment	(30)
9.11 Total estimated cash outflows	(5,003)

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.

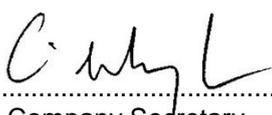
The Company is also expecting to receive \$789k during the next quarter in relation to its 2017 R&D Incentive Grant, which has now been finalised and lodged.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Security Alarm Monitoring Service Pty Ltd	-
10.2 Place of incorporation or registration	Australia	-
10.3 Consideration for acquisition or disposal	\$8.0M	-
10.4 Total net assets	\$8.0M	-
10.5 Nature of business	Security Monitoring	-

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: 30 April 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.