

Quarterly Activities Report and Appendix 4C

Quarter ended: 31 December 2017

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 continues strong acquisition activity during December Quarter

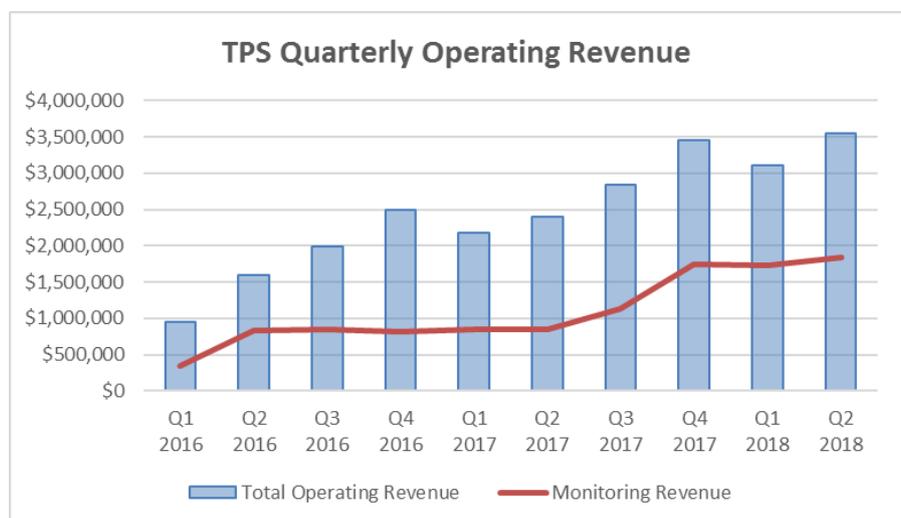
Threat Protect Australia Limited (**“Threat Protect”** or **“Company”**) (ASX: **“TPS”**) is pleased to provide its quarterly market activity update.

HIGHLIGHTS

- Operating revenue for December quarter of \$3.5 million, which is slightly above budget, representing YOY total revenue growth of 47%.
- Monitoring revenue for December quarter of \$1.8 million, which is above budget, representing a quarterly growth of 6%, and YOY total revenue growth of 117%.
- Acquisition of seven monitoring businesses enhances Threat Protect’s presence on the Eastern seaboard, adding over 2,861 direct customers.
- Maintaining an ongoing positive operating cash flow, after adding back business acquisition & integration costs.
- Cash at bank of \$0.7 million.

OPERATING REVIEW

Operating revenue growth has continued in the December quarter, after the seasonally slower winter event period last quarter.



Acquisition Activity

During the December quarter, Threat Protect announced that it had acquired a total of seven security monitoring client bases (2,861 monitored connections) on the east coast of Australia. These monitored connections were previously serviced by resellers of the Company’s wholesale business Monitoring Excellence, and will now be serviced directly by Threat Protect.

The total of 2,861 conversions increases the number of direct connections serviced by Threat Protect by over 50% to circa 8,200 from a total of approximately 38,000 connections monitored in total. The conversion of reseller service connections to direct connections delivers an average 3 times uplift in revenue for minimal increase in operating costs.

On 1 December 2017 the Company announced the two larger acquisitions - Alpha Alarms Pty Ltd and Seekers Security Management Pty Ltd. These acquisitions added over 2,100 of the monitored connections – both residential and commercial customers located in New South Wales, Victoria and Queensland.

The agreed acquisition price of these monitoring businesses will total approximately \$2.7 million, which comprises:

- \$2.43 million in cash which was transferred as the first tranche payment of the Acquisition; and
- The balance to be paid 12 months post completion, subject to a reconciliation of acquired debtors and creditors.

These acquisitions were fully funded by the Company’s Convertible Note facility with First Samuel Limited, announced in November 2016. The Company has recently issued 2.7 million Convertible Notes to First Samuel Limited to fund the first tranche of the acquisition. The conversion of the Convertible Notes into shares at a price of 21c will be subject to approval by the Company’s shareholders.

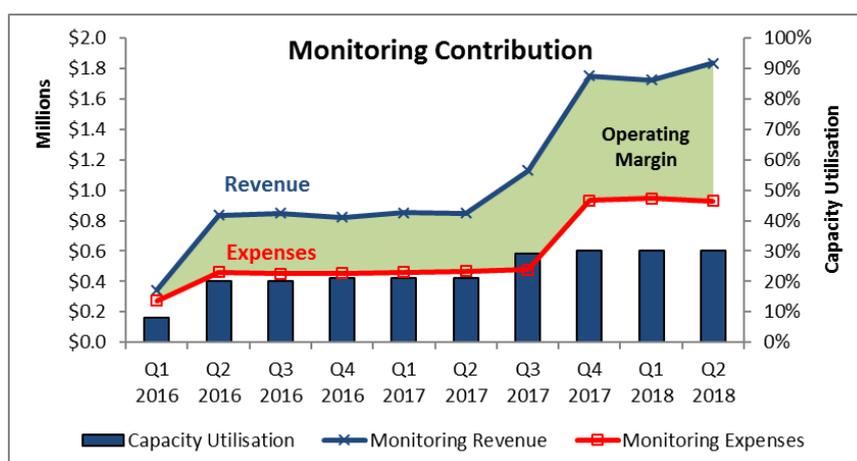
Security System Monitoring Services

As a result of the recent acquisitions, monitoring revenue for the December Quarter increased to \$1.8 million compared to \$1.7 million last quarter, an increase of 6%. Comparison to the December 2016 quarter shows monitoring revenue growth has increased 117%.

With the larger resellers of Alpha Alarms and Seekers Security Management only being acquired in December, the full benefit of revenue uplift will be realised in the coming quarters.

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

We anticipate that market updates will be provided as these proposed transactions progress during the March quarter.



Security Manning and Consulting Services

Manning and consulting revenue increased during the December quarter, after the seasonally quieter winter September quarter.

Manning and consulting revenue for the December Quarter increased to \$1.4 million compared to \$1.2 million last quarter, an increase of 20%. With the Company focusing on contracted work, this quarters result was comparable to last year.

December sees the commencement of the summer and New Year events calendar, with seasonally strong performance also expected to continue in the March quarter. The Company is also actively tendering on a number of significant multi-year corporate contracts for infrastructure projects across Australia.

CORPORATE AND FINANCIAL

Operating cash flow remained positive during the quarter, after adding back \$0.2m in business acquisition and integration costs that related to current due diligence projects being undertaken at the end of the December quarter on acquisition opportunities.

The Company is currently evaluating several funding opportunities to assist in the continued acquisition strategy.

Cash at bank at the end of September was \$0.7 million.

At the Company's Annual General Meeting held on 23 November 2017, an ordinary resolution was passed for the alteration of the Company's share capital by consolidating the existing Shares and Options on a 1 for 7 basis. The Company's issued capital will be reduced from 781,423,331 Shares to approximately 111,631,904 Shares (subject to rounding) as a result of the consolidation.

- End -

For further information, contact:

Investors

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Threat Protect Australia Limited
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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 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,810	7,416
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(1,979)	(3,467)
(c) advertising and marketing	(22)	(37)
(d) leased assets	-	-
(e) staff costs	(1,463)	(2,866)
(f) administration and corporate costs	(208)	(522)
1.3 Dividends received	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(62)	(315)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	772
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(154)	(408)
1.9 Net cash from / (used in) operating activities	(77)	574

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(272)	(367)
(b) businesses (see item 10)	(2,658)	(2,658)
(c) investments	(1)	(1)
(d) intellectual property	-	-
(e) intangible assets	(682)	(1,125)
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	28
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(3,585)	(4,123)

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	3,599	3,599
3.6 Repayment of borrowings	(67)	(527)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	3,532	3,072

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	816	1,163
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(77)	574
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,585)	(4,123)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,532	3,072
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	686	686

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	686	686
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)	686	686

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	94
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. 1,600 2. 500 3. 1,212	1,600 481 580
8.2 Credit standby arrangements	-	-
8.3 Other	4. 9,000,000	7,800,000

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Operating costs	(1,965)
9.3 Advertising and marketing	(3)
9.4 Leased assets	-
9.5 Staff costs	(1,422)
9.6 Administration and corporate costs	(292)
9.7 Interest payments	(246)
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	(4,138)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Alpha Alarms Pty Ltd	-
10.2 Place of incorporation or registration	Australia	-
10.3 Consideration for acquisition or disposal ¹	\$2.7M	-
10.4 Total net assets	\$2.8M	-
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: 29 January 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.