THREAT PROTECT

28 April 2017

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Quarterly Activities Report and Appendix 4C

Quarter ended: 31 March 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.

Acquisitions Driving Revenue Growth

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

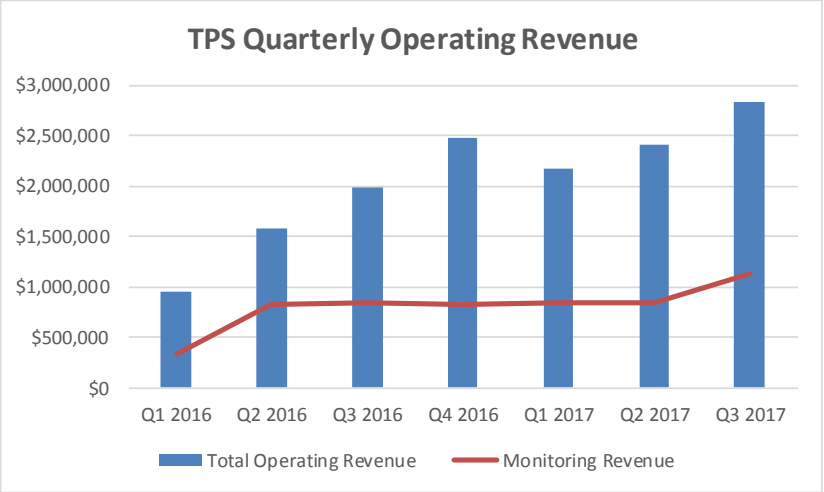
HIGHLIGHTS

- March quarter 2017 operating revenue of $2.8 million, up 18% on previous quarter and up 43% on prior year quarter. Total revenue for the quarter of $3.4 million, including non-cash tax write back.
- Completion of acquisition of Apollo Security businesses on 1 March 2017 for approximately $6.0 million
- First month of an integrated alarm monitoring service now extending to over 37,000 users nationwide completed successfully
- Completion of small shareholding sale facility on 4 April 2017

OPERATING REVIEW

Threat Protect continued its growth trajectory with total operating revenue for the quarter of $2.8 million, an 18% increase on the prior quarter. The Company's 9 months' operating revenue result is now equivalent to the full FY2016.

Monitoring revenue for the March quarter was $1.1 million compared to $0.85 million in the December quarter, including a 1 month impact of the recently completed Apollo acquisition.



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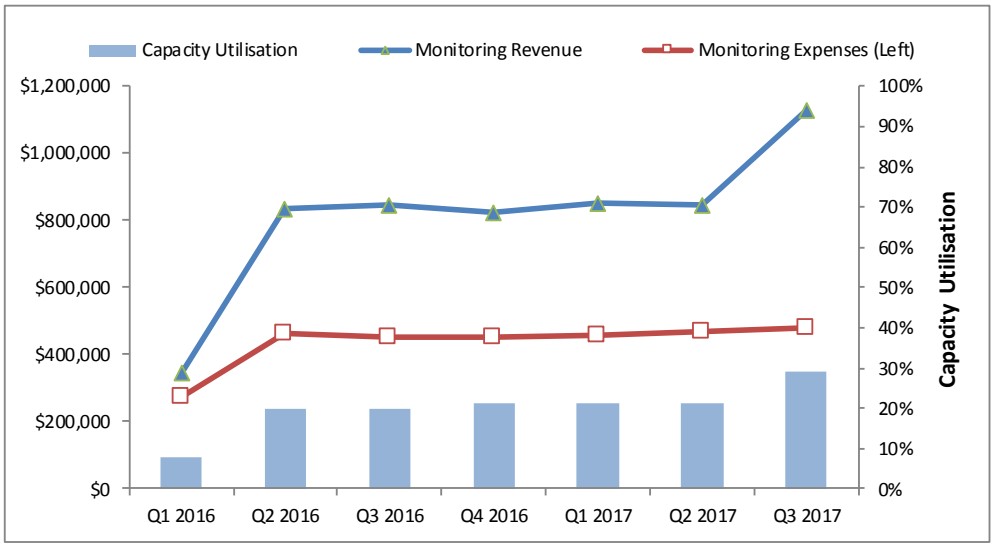
Manning and consulting continued a seasonally strong performance during the March quarter, with $1.6 million in revenue for the March quarter compared to $1.4 million in the December quarter.

Threat Protect's growth strategy continues to increase the Company's scale of the operations with YTD March total revenue of $8.9 million now exceeding FY2016 total revenue by $1.6 million.

The quarter's revenue result also included a non-cash write back of $550k to other income relating to a historic ATO provision.



COMPLETION OF ACQUISITION OF APOLLO SECURITY

On 2 March 2017, the Company announced it had completed the acquisition of Apollo Security Pty Ltd's Grade One Security and Queensland Security Rangers.

The acquisition enhances Threat Protect's national presence, adding a control room in Sydney and security monitoring across approximately 250 resellers servicing over 16,000 residential and commercial customers in New South Wales and Queensland.

Integration of the businesses is progressing as expected and will drive a step change in revenue growth for Threat Protect into the June 2017 Quarter. The control room in Sydney has also now been graded to the highest level "A1" under Australian standards.

The agreed acquisition price of approximately $6.0 million comprises:

1. $3.55 million in cash has now been transferred ($3.7 million less $150k option fee already paid) as the first tranche payment;
2. the balance to be paid 12 months' post completion subject to a "true-up" of the Acquisition purchase price.

In addition, the Company paid $0.5 million to acquire outstanding debtors of the Apollo businesses, at a discount to face value.

The acquisition is fully funded by the Company's acquisition funding facility with First Samuel Limited, announced in November 2016. The Company has recently issued 4.5 million Convertible Notes to First Samuel Limited to fund the first tranche of the acquisition. The conversion of the Convertible Notes into shares will be subject to approval by the Company's shareholders.

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Threat Protect is actively pursuing a growth strategy focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing monitored security business through the acquisition of monitored security client bases across Australia. The Company continues to pursue various acquisition opportunities with a view to further increasing scale and margin uplift.

CORPORATE AND FINANCIAL

The acquisition, integration and settlement of the Apollo businesses during the March quarter had an impact on the cash position, with the Company recording $0.55 million net cash used in operating activities. This also reflects cash flow timing whereby payments for the newly acquired "Apollo" suppliers and employees for the initial month were incurred during the quarter, however revenue cash inflow for the over 16,000 users invoiced for the month will not be received until subsequent to the end of the quarter.

A full quarter contribution from the Apollo businesses, as well as operational efficiencies and integration benefits, will contribute to a positive impact on the cash balance in the current June 2017 quarter.

Threat Protect has recently completed a Sale of Unmarketable Parcels relating to small shareholdings. The final notice period expired on 4 April 2017.

A total of 112 shareholders elected to retain their unmarketable parcels. The shares of 1160 shareholders who did not elect to retain their shares and held unmarketable parcels have now been sold. These holdings totalled 1,441,956 shares. The shares were sold for $0.025 each on 6 April 2016.

Following completion of this Sale of Unmarketable Parcels, the Company now has 641 shareholders.

- End -

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+Rule 4.7B

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

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Name of entity

Threat Protect Australia Limited

ABN	**Quarter ended ("current quarter")**
36 060 774 227	31 March 2017

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	3,347	8,410
1.2	Payments for		
	(a) research and development	-	-
	(b) operating costs	(3,045)	(6,137)
	(c) advertising and marketing	(29)	(69)
	(d) leased assets	-	-
	(e) staff costs	(299)	(864)
	(f) administration and corporate costs	(140)	(446)
1.3	Dividends received (see note 3)		-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(50)	(148)
	- Interest accrued in prior periods repaid	-	(155)
1.6	Income taxes paid		-
1.7	Government grants and tax incentives		-
1.8	Other (provide details if material)		
	- Business acquisition & integration costs	(197)	(223)
	- Taxation and employee obligations repaid relating to prior periods	(140)	(860)
1.9	**Net cash from / (used in) operating activities**	**(553)**	**(490)**

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(25)	(33)
	(b) businesses (see item 10)	(4,200)	(4,200)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) intangible assets	(317)	(1,129)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	5
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
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**	**(4,542)**	**(5,357)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	1,500
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	(4)	(79)
3.5	Proceeds from borrowings	4,500	4,646
3.6	Repayment of borrowings	(60)	(176)
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**	**4,436**	**5,891**

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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	**1,152**	**449**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	**(553)**	**(490)**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	**(4,542)**	**(5,357)**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	**4,436**	**5,891**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**493**	**493**

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	493	1,152
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)**	**493**	**1,152**

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	77
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	40

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' fees, salaries and superannuation. Repayments of loan to director-related entity.

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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** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	1. 2,000 2. 500 3. 1,275	2,000 481 281
8.2	Credit standby arrangements	-	-
8.3	Other	4. 9,000,000	4,500,000

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 5.370%pa
2. National Australia Bank Secured Working Capital Facility. Current Interest Rate 5.351%pa
3. National Australia Bank Secured Business Acquisition Facility. Current Interest Rate 5.351%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	(2,886)
9.3	Advertising and marketing	(10)
9.4	Leased assets	-
9.5	Staff costs	(214)
9.6	Administration and corporate costs	(236)
9.7	Repayment of borrowings	-
9.8	**Total estimated cash outflows**	**(3,346)**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	Apollo Security Pty Ltd	
10.2	Place of incorporation or registration	New South Wales, Australia	
10.3	Consideration for acquisition or disposal[1]	$ 4,200,000[i]	
10.4	Total net assets	$ 4,200,000	
10.5	Nature of business	Security Alarm Monitoring	

[1] consideration for acquisition in 10.3 above does not include final "true-up" to be paid 12 months post completion to bring total acquisition price to approximately $6.0 million.

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: .... Date: 28 April 2017
Company Secretary

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.

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