

Quarterly Activities Report and Appendix 4C

Quarter ended: 31 December 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 Activities Report for December 18 Quarter

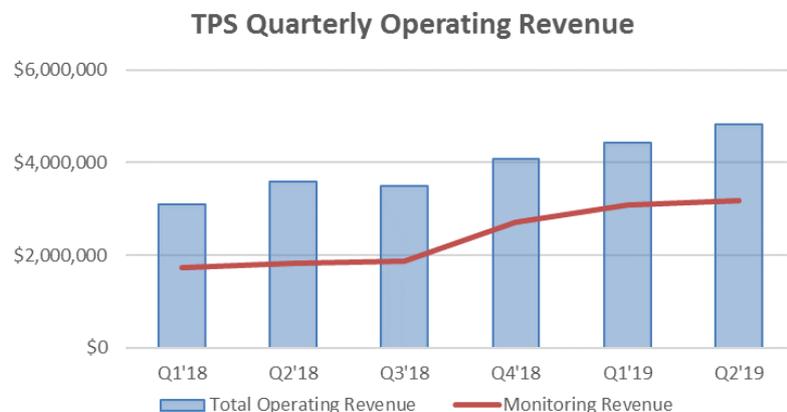
Threat Protect Australia Limited (“**Threat Protect**” or “**Company**”) (ASX:“ **TPS**”) is pleased to provide its quarterly market activity update.

HIGHLIGHTS

- Operating revenue for December quarter of \$5.2 million, an increase of 15.3% from the prior quarter and with a YOY total revenue growth increase of 32.3%
- Monitoring revenue for December quarter of \$3.2 million, which is 3.0% above last quarter result, and showing a YOY total revenue growth increase of 73.2%.
- Cash at bank of \$0.2 million (excluding a further \$800k in escrow retention).
- \$1.0 million placement successfully completed in January 2019

OPERATING REVIEW

The Company’s operating revenue continues to increase in the December quarter, predominately due to a full quarter’s revenue from recently acquired reseller Monitored Security Systems Pty Ltd (“MSS”) which was announced in August 2018.

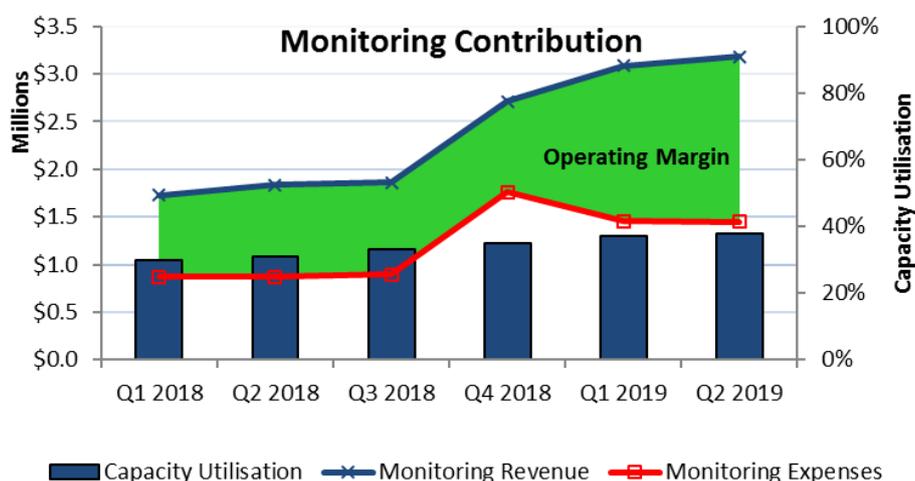


Monitoring revenue continues to produce RMR in excess of \$1.0 million, and with a full quarter of MSS revenue included this has increased total monitoring revenue to \$3.2 million - an increase of 3.0% from the September 2018 quarter. Compared with the December 2017 quarter the Company's recurring monitoring revenue growth has increased 73.2%.

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

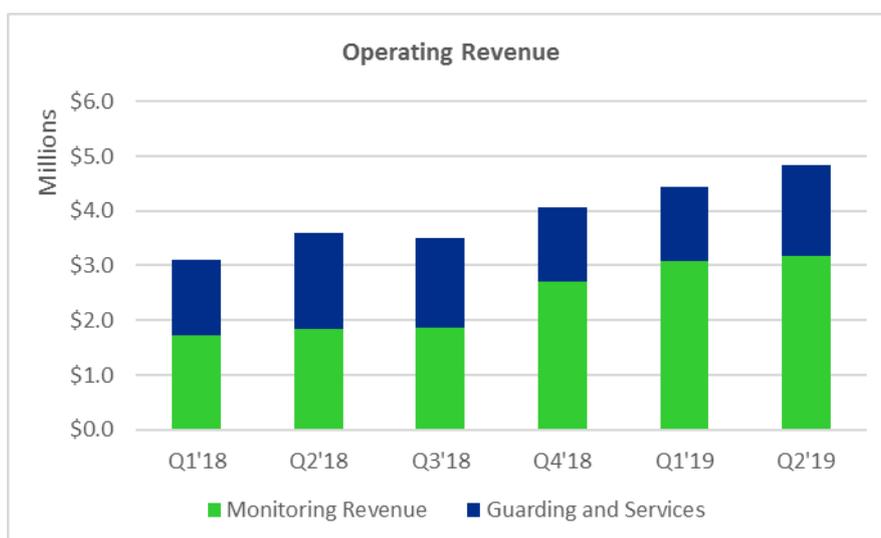
Maximising the fixed cost nature of our security control room infrastructure is the core of our business, and accordingly, Threat Protect continues to focus on increasing efficiencies within the business to increase operating margin. Monitoring expenses have stabilised following the implementation of the synergies of the SAMS acquisition which were scheduled for the current financial year.

Additional strategies to increase the Operating Margin have commenced in the March 2019 quarter.



Security Manning and Consulting Services

Manning and consulting revenue for the December 2018 quarter remained consistent with the Company focusing on consolidating the existing service contracts. The sources of revenue for the quarter reflect the continued focus of the business unit towards contracts with a greater component of recurring work and security consultancy.



CORPORATE AND FINANCIAL

The Company recorded a net cash outflow from operating activities of (\$812k) during the quarter, which reduces to (\$285k) after adding back \$527k in for once off business acquisition and integration activities completed, redundancy costs, and costs of due diligence activity on current opportunities to the end of the December 2018 quarter.

Cash at bank at the end of December was \$0.2 million, not including an amount of \$800k that has been set aside in a bank account under escrow.

On 14 January 2019 the Company announced that it has recently completed a capital raising of \$1.0m through a placement of 4,761,905 fully paid ordinary shares ("Placement Shares") in the Company at an issue price of \$0.21 each ("Placement") to First Samuel Limited under the Company's placement capacity.

The Placement Shares are being held in voluntary escrow for 12 months from the date of issue, and funds raised under the Placement will be applied towards general working capital.

- End -

For further information, contact:

Investors

Demetrios Pynes
Managing Director
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 2018

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	5,080	9,653
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(2,574)	(4,248)
(c) advertising and marketing	(44)	(89)
(d) leased assets	-	-
(e) staff costs	(2,167)	(4,178)
(f) administration and corporate costs	(386)	(664)
1.3 Dividends received	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	(196)	(779)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(527)	(796)
1.9 Net cash from / (used in) operating activities	(812)	(1,098)

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13)	(17)
(b) businesses, net of cash acquired	-	(492)
(c) investments (financial assets)	(22)	(22)
(d) intellectual property	-	-
(e) intangible assets	(1,241)	(2,803)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses	-	-
(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 – Government Grants Received	926	926
2.6 Net cash from / (used in) investing activities	(350)	(2,408)
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	-	2,400
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(82)
3.5 Proceeds from borrowings	1,101	10,679
3.6 Repayment of borrowings	(957)	(10,419)
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	144	2,578
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	1,229	1,139
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(812)	(1,098)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(350)	(2,408)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	144	2,578
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	211	211

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	211	829
5.2	Call deposits	-	400
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)	211	1,229

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

**Current quarter
\$A'000**

110

-

Directors' fees, salaries and superannuation.

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

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	10,955
	2. 800	799
8.2 Credit standby arrangements	-	-
8.3 Other	3. 9,000	9,000
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 5.64% 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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Operating costs	(3,011)
9.3 Advertising and marketing	(32)
9.4 Leased assets	-
9.5 Staff costs	(2,081)
9.6 Administration and corporate costs	(274)
9.7 Interest payments	(335)
9.8 Repayment of borrowings	(576)
9.9 Purchase of intangible assets	-
9.10 Purchase of property, plant & equipment	(20)
9.11 Total estimated cash outflows	(6,329)

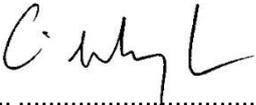
Cash outflows for next quarter is the consolidation of operating costs of Threat Protect, inclusive of the newly acquired business. It excludes any estimated operating cash inflows.

On 14 January it was announced that the Company completed a capital raising of \$1.0m through a placement of 4,761,905 fully paid ordinary shares. Funds raised under the Placement will be applied towards general working capital.

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 January 2019

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.