

Threat Protect Australia Limited

ACN 060 774 227

Supplementary Prospectus

IMPORTANT INFORMATION

This is a supplementary prospectus ("**Supplementary Prospectus**") intended to be read with the prospectus dated 5 March 2019 ("**Prospectus**") issued by Threat Protect Australia Limited (ACN 060 774 227) ("**Company**") in respect of the renounceable, pro rata entitlement offer of Shares at an issue price of \$0.25 each on the basis of 1 New Share for every 6 Shares held by Eligible Shareholders at the Record Date to raise up to approximately \$5,444,968 before costs ("**Entitlement Offer**" or "**Offer**").

This Supplementary Prospectus is dated 15 March 2019 and was lodged with ASIC on that date under section 719 of the Corporations Act. Neither ASIC nor ASX take any responsibility as to the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than the changes set out in this Supplementary Prospectus, all other details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

The Company has issued a printed and electronic version of this Supplementary Prospectus and the Prospectus. Any person may obtain an electronic version of this Supplementary Prospectus and the Prospectus from the Company's website at www.threatprotect.com.au or a hard copy of these documents free of charge by contacting the Company on 1300 847 328.

This Supplementary Prospectus and the Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Supplementary Prospectus or the Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

1. BACKGROUND

ASIC have requested further disclosures in relation to certain statements made in the Prospectus. The Company wishes to provide the following additional disclosures to provide context and clarify those statements:

- an updated pro-forma consolidated statement of financial position with additional detail regarding, among other things, the Company's financial position relating to its acquisition of Onwatch Pty Ltd ("**Acquisition**");
- an updated pro-forma capital table, which further clarifies the impact of the Acquisition and the conversion of the convertible notes issued to First Samuel Limited ("**Convertible Notes**") on the control of the Company; and
- the use of funds and investment if the Acquisition does not proceed.

2. ADDITIONAL FINANCIAL INFORMATION

2.1 Historical Consolidated Statement of Financial Position and Pro-Forma Consolidated Statement of Financial Position

Set out in the table below are summarised historical consolidated statements of financial position for the Company and Onwatch as at 30 June 2018, and a summarised

pro-forma consolidated statement of financial position assuming the acquisition of Onwatch, completion of the Offer, the conversion of the Convertible Notes, the repayment of the Macquarie Bank Limited Debt Facility and other material events that have occurred after the respective balance dates as detailed.

<i>Notes reference:</i>	1	2				
Jun18A PF BS	TPS	Onwatch	Notes	Subsequent Events	Pro forma adjustments	Pro forma TPS Group
<i>Currency: A\$000</i>	Jun18A	Jun18A				
Current Assets						
Cash & cash equivalents	1,139	-	7	1,000	8,800	10,939
Trade & other receivables	3,217	798		-	-	4,015
Financial assets	953	-		-	-	953
Other current assets	430	-		-	-	430
Inventories	35	-		-	-	35
Total	5,774	798		1,000	8,800	16,372
Non-Current Assets						
Plant & equipment	1,018	173		-	-	1,191
Intangible assets	26,486	-		819	37,739	65,043
Deferred tax assets		14,931	3		(14,931)	-
Financial assets	580	-		-	-	580
Total	28,083	173		819	37,739	66,814
Total Assets	33,857	971		1,819	46,539	83,186
Current Liabilities						
Trade & other payables	6,739	1,796	5 & 6	(200)	1,500	9,835
Provisions	822	476		-	-	1,298
Borrowings	3,343	-	4	8,000	(10,343)	1,000
Payable on customer lines purchase	-	-		-	-	-
Other current liabilities	-	516		-	-	516
Total	10,904	2,788		7,800	(8,843)	12,649
Non-Current Liabilities						
Provisions	130	-		-	-	130
Borrowings	16,943	121		(7,281)	33,843	43,626
Deferred tax liability	4,199	-		-	-	4,199
Total	21,272	121		(7,281)	33,843	47,956
Total Liabilities	32,176	2,910		519	25,000	60,605
Net Assets	1,681	(1,939)		1,300	21,539	22,581
Equity						
Issued capital	14,731	5,984		1,000	16,400	38,115
Retained profits	(13,050)	(7,923)		300	5,139	(15,534)
Total Equity	1,681	(1,939)		1,300	21,539	22,581

Notes

1. Audited accounts of the Company as at 30 June 2018.
2. Pro forma balance sheet representing the tangible assets from the audited accounts of Onwatch as at 30 June 2018 being acquired by the Company in accordance with the Onwatch SPA. As the Company will acquire Onwatch on a debt-free, cash-free basis, only the relevant balances have been presented as those are the balances being acquired in the business combination, particularly as consideration paid by the Company will be used to extinguish Onwatch's current debts of \$21.5m. The audited accounts of Onwatch as at 30 June 2018 classified an overdraft amount of \$0.9m as a trade and other payables.
3. Onwatch deferred tax assets of approximately \$14.9m cannot be utilised by the Company following completion of the acquisition, accordingly this figure has been written off.
4. Refer to note 7c of the Company's interim financial report for the half-year ended 31 December 2018. On 10 August 2018, the First Samuel Limited debenture of \$8,000,000 was repaid in full through the utilisation of the Macquarie Bank Limited revolving line of credit facility, which was subsequently re-classified as current, and as such the adjustment is non-current borrowings to current borrowings.
5. Refer to Note 2 of the Company's interim financial report for the half-year ended 31 December 2018. The Company's acquisition of Alpha Alarms occurred on 5 December 2017 and deferred consideration relating to the business was settled during the period ended 31 December 2018 and, as such, approximately \$300,000 of deferred consideration was written back as other income following final settlement.
6. Refer to the Company's ASX announcement dated 6 August 2018. The Company completed an asset acquisition funded by the Macquarie Bank Limited Debt Facility. Pursuant to the terms of the acquisition, \$100,000 comprises deferred consideration which forms part of the Company's trade and other payables.
7. Refer to the Company's ASX announcement dated 14 January 2019. The Company completed a capital raising of \$1,000,000 through a placement of 4,761,905 fully paid ordinary shares to First Samuel Limited at an issue price of \$0.21 each.

Subsequent events

Subsequent event adjustments to the financial statements of the Company and Onwatch as at 30 June 2018.

First Samuel Debenture

On 10 August 2018, the First Samuel Limited debenture of \$8,000,000 was repaid in full through the utilisation of the Macquarie Bank Limited revolving line of credit facility, which was subsequently re-classified as current, and as such the adjustment is non-current borrowings to current borrowings.

Alpha Alarms Deferred Consideration Write Back

The Company's acquisition of Alpha Alarms occurred on 5 December 2017 and deferred consideration relating to the business was settled during the period ended 31 December 2018. As such, \$300,000 of deferred consideration was written back as deferred income following final settlement.

Acquisition of MSS Monitored Lines

As announced on 6 August 2018, the Company acquired the monitored lines from Monitored Security Systems Pty Ltd, which was funded by the Macquarie Bank Limited Debt Facility. Pursuant to the terms of the acquisition, the purchase price of intangible assets were \$819,000 with \$100,000 recognised as deferred consideration which forms part of the Company's trade and other payables.

Placement

As announced on 14 January 2019, the Company completed a capital raising of \$1,000,000 through a placement of 4,761,905 fully paid ordinary shares at an issue price of \$0.21 each.

Pro forma adjustments

Intangible assets

A pro forma adjustment of \$35,739,000 has been made to the Company's intangible representing the difference between the enterprise value of Onwatch and the Onwatch net assets on a cash free debt free basis pursuant to the Onwatch Share Sale and Purchase Agreement.

A pro forma adjustment of \$2,000,000 has been made with respect to the issue of 8,000,000 Shares to the Onwatch Vendors at an issue price of \$0.25 each.

Other pro forma adjustments

Additional pro forma adjustments have been made with respect to:

- the Soliton Debt Facility (\$36,000,000 – netted off as part of the Company's cash and cash equivalents assets and borrowing liabilities);
- the FSL Debt Facility (\$8,000,000 – netted off as part of the Company's cash and cash equivalents assets and borrowing liabilities);
- the underwritten Entitlement Offer (\$5,400,000 – recognised as part of the Company's cash and cash equivalents);
- Onwatch cash settlement pursuant to the Onwatch Share Sale and Purchase Agreement (\$31,500,000 – recognised as an expense against the Company's cash and cash equivalents);
- repayment of the Macquarie Bank Limited existing debt (\$11,500,000 - netted off as part of the Company's cash and cash equivalents assets and borrowing liabilities);
- working capital injection (\$4,400,000 – being the difference in funds received from various sources under the Transaction of \$49,400,000 less the Company's use of funds under the Transaction of \$45,000,000 and recognised as part of the Company's cash and cash equivalents);
- transaction and associated costs (\$2,000,000 – recognised as an expense against the Company's cash and cash equivalents);
- provision for a deferred consideration payment pursuant to the acquisition of Onwatch (\$1,500,000 – recognised as part of the Company's trade and other payable liabilities); and
- conversion of Convertible Notes on issue to First Samuel Limited (\$9,000,000 – recognised as an adjustment to the Company's non-current borrowings).

2.2 Company's capacity to pay interest under debt facilities

The Company's debt financing consists of the Soliton Debt Facility, being a secured debt facility of \$36,000,000 and the FSL Debt Facility, being an unsecured subordinated debt facility of \$8,000,000.

The interest component under those respective debt facilities consists of:

- Soliton Debt Facility: 8.5% cash interest, and 4% PIK (non-cash interest); and
- FSL Debt Facility: 10.5% PIK (non-cash interest).

It is estimated that \$773,000 will be paid by the Company in cash interest under the Soliton Debt Facility for the remainder of FY 2019. PIK (non-cash interest) refers to interest that is accumulated during the term of the loan and payable upon the maturity of the respective debt facility.

The annual interest payable by the Company during the terms of the respective debt facilities is set out below:

	<u>\$ Amount</u>	<u>Cash Interest</u>	<u>PIK</u>
Soliton Debt Facility	36,000,000	3,060,000	1,440,000
FSL Debt Facility	8,000,000	-	840,000
	\$44,000,000	\$3,060,000	\$2,280,000

With an estimated increase of scale of \$1,000,000 in recurring monthly revenue ("RMR") in a business that historically produces a 45-50% margin with a predominately fixed cost base, the Company considers that the positive operating cash flow generated from the acquisition of Onwatch will enable it to service the interest payments required under the debt facilities, including any increase in interest payable during the term of the respective debt facilities (e.g. in relation to the Soliton Debt Facility, if there is an increase in the BBSY rate).

To avoid doubt, the Company further notes that neither the Soliton Debt Facility or the FSL Debt Facility are convertible into equity in the Company at any time and are debt financing facilities only.

2.3 Refinancing risks

Based on current circumstances, the Company estimates that there will be a shortfall between the amount owing at the end of the term of the Soliton Debt Facility (April 2022) and the forecast cash balance at that date. However, the Company believes that the shortfall can be refinanced or rescheduled prior to the maturity of the Soliton Debt Facility. The ability of the Company to repay or reschedule its obligations under the Soliton Debt Facility will improve in the event of successful capital raisings, including pursuant to the Entitlement Offer, but is ultimately contingent on, among other matters, the continued execution of the Company's growth strategy and/or the ability of the Company to source additional funds through debt and equity markets.

In circumstances where market conditions deteriorate significantly against current economic conditions, there may be uncertainty as to the Company's ability to fully repay, refinance or reschedule the outstanding debt under the Soliton Debt Facility at its maturity. As such, the Company may need to consider alternative financing arrangements prior to its maturity in April 2022, which may include refinancing or restructuring existing facilities, securing new facilities on acceptable terms or securing alternative funding (including potentially through raising additional shareholder equity). There is no guarantee that alternative financing arrangements will be available to the Company at such time.

2.4 Company's underlying financial assumptions

The Company notes that its announcement of 4 March 2019 provided that the proposed acquisition of Onwatch will increase the Company's monitoring revenue to \$24m per annum and will result in an expected combined pro-forma normalised EBITDA of \$9m.

The Company's underlying financial assumptions relating to these figures are set out below.

	Revenue ('m)	Normalised EBITDA ('m)
TPS Earnings Guidance FY19	17.0	3.8
Audited Onwatch Accounts FY18	12.0	3.2
Transaction synergies		2.0
	29.0	9.0

Notes:

1. TPS Earnings Guidance FY19 dated 7 June 2019, which includes non-monitoring revenue of approximately \$5.0m and monitoring revenue of approximately \$12.0m, being a total of \$17.0m. That is, the combined monitoring revenue of the Company (\$12.0) and Onwatch (\$12.0m) is expected to increase the Company's monitoring revenue to \$24m per annum.

3. EFFECT OF THE OFFER

3.1 Pro-Forma Capital Structure

The capital structure of the Company is set out in the table below and takes into account:

- the effect of the Offer;
- the Shares to be issued to the Onwatch Vendors pursuant to the Acquisition; and
- the conversion of First Samuel's Convertible Notes.

Capital Structure	Existing	Completion of Transaction
Existing Shares on issue	130,679,242	130,679,242
Shares issued under the Offer	-	21,779,874
Shares to Vendors ¹	-	8,000,000
Total Shares	130,679,242	160,459,116
Conversion of First Samuel Convertible Notes ²	-	42,857,143
Existing Options on issue ³	13,571,425	13,571,425
Fully diluted share capital	144,250,667	216,887,684

Notes:

1. The Shares to be issued to the Vendors pursuant to the Share Purchase Agreement. The Company notes that Shares are likely to be issued to the Vendors after completion of the Offer and conversion of the Conversion Notes.
2. The Company currently has 9,000,000 convertible notes issued to First Samuel Limited, which are convertible into 42,857,143 Shares. The Company notes that the conversion of Convertible Notes is a condition precedent to the financial close of the Soliton Debt Facility. As such, it is likely that the conversion of Convertible Notes will occur following completion of the Offer but prior to financial close under the Soliton Debt Facility, anticipated to occur on or around 18 April 2019. First Samuel's Relevant Interest at various stages of the Transaction is set out below at Section 3.2.
3. The Options comprise of:

- (a) 9,285,712 Options to acquire 1 Share with an exercise price of \$0.339 on or before 31 October 2020.
- (b) 1,428,571 Options to acquire 1 Share with an exercise price of \$0.266 on or before 31 October 2020.
- (c) 1,428,571 Options to acquire 1 Share with an exercise price of \$0.327 on or before 31 October 2020.
- (d) 1,428,571 Options to acquire 1 Share with an exercise price of \$0.358 on or before 31 October 2020.

4. The above table assumes that no other securities of the Company are issued prior to the Record Date.

3.2 Effect of the Offer on Control

The Offer is underwritten by First Samuel Limited (see section 6.4 of the Prospectus for further details on the Underwriting Agreement). The extent to which Shares are issued to First Samuel Limited pursuant to the Underwriting Agreement will increase First Samuel Limited's voting power in the Company.

The Underwriter intends to rely on the underwriting exception under item 13 of section 611 of the Corporations Act with respect to its voting power increasing from a shareholding position from under 20% to over 20%, noting that such an exception is available to be relied upon if the issue of securities is to a person as an underwriter and the disclosure document adequately discloses the effect that the acquisition would have on the person's voting power in the company.

The tables below set out the results of various scenarios and their approximate effect on the Relevant Interests and voting power of the Underwriter based on:

- varying levels of participation in the Entitlement Offer;
- whether the Vendor Shares are issued before or after the close of the Entitlement Offer; and
- whether First Samuel Limited converts its Convertible Notes before or after the close of the Entitlement Offer.

The tables below assume that no Options are exercised before completion of the Offer. First Samuel Limited does not hold any convertible securities aside from the Convertible Notes.

(a) Before Vendor Shares are issued and before the Convertible Notes are converted

Subscription %	Shortfall	Underwriter	
		Relevant Interest	Voting Power
At the date of this Prospectus			
N/A	N/A	20,731,589	15.9%
At completion of Entitlement Offer			
100%	Nil	24,186,854	15.9%
75%	25%	29,631,822	19.4%
50%	50%	35,076,790	23.0%

25%	75%	40,521,759	26.6%
0%	100%	42,511,462	27.9%

Prior to the issue of Shares to the Onwatch Vendors and the conversion of the Convertible Notes, First Samuel Limited's maximum voting power in the Company is approximately 27.9%. This is in the event that no Eligible Shareholder subscribes for New Shares.

(b) Before Vendor Shares are issued but after the Convertible Notes are converted

Subscription %	Shortfall	Underwriter	
		Relevant Interest	Voting Power
At the date of this Prospectus			
N/A	N/A	20,731,589	15.9%
At completion of Entitlement Offer			
100%	Nil	67,043,997	34.3%
75%	25%	72,488,965	37.1%
50%	50%	77,933,933	39.9%
25%	75%	83,378,902	42.7%
0%	100%	85,368,605	43.7%

Prior to the issue of Shares to the Onwatch Vendors, but after the conversion of the Convertible Notes, First Samuel Limited's maximum voting power in the Company is approximately 43.7%. This is in the event that no Eligible Shareholder subscribes for New Shares.

(c) After Vendor Shares are issued and after the Convertible Notes are converted

Subscription %	Shortfall	Underwriter	
		Relevant Interest	Voting Power
At the date of this Prospectus			
N/A	N/A	20,731,589	15.9%
At completion of Entitlement Offer			
100%	Nil	67,043,997	33.0%
75%	25%	72,488,965	35.7%
50%	50%	77,933,933	38.3%
25%	75%	83,378,902	41.0%
0%	100%	85,368,605	42.0%

After the issue of Shares to the Onwatch Vendors and after the conversion of the Convertible Notes, First Samuel Limited's maximum voting power in the Company is approximately 42%. This is in the event that no Eligible Shareholder subscribes for New Shares.

4. USE OF FUNDS

Section 2.2 of the Prospectus sets out the purpose of the Offer and, if the Offer is fully subscribed, how the funds raised under the Offer is planned to be used.

One of the items the funds is planned to be used towards is to partially fund the Acquisition. However, the Company did not address how the funds will be used if the Acquisition does not complete given that the conditions precedent to completion are largely in the control of the Company to be satisfied or waived, and not third parties.

However, as is customary with sale and purchase agreements of this nature, there are certain conditions precedent required to be satisfied with respect to releasing security interests granted by Onwatch in its ordinary course of business and personal guarantees provided by current directors of Onwatch under the existing financing facilities of Onwatch. Upon the repayment of outstanding liabilities, it is anticipated that these releases will be provided in due course and will be satisfied prior to completion of the Onwatch SPA.

The Company has operated and continues to operate on a growth acquisition strategy. In the event that the Acquisition does not complete, the Company will look to acquire other businesses that complement the Company's operational and corporate objectives and continue to execute on its acquisition growth strategy. The Company will keep Shareholders informed of any such developments or changes in circumstances.

5. UPDATED TIMETABLE

The indicative timetable set out under the 'Timetable' section is deleted and replaced with the following:

Event	Date
Announcement of Offer, Appendix 3B and Prospectus lodged with ASX, notice sent to Option Holders	5 March 2019
Notice sent to Shareholders	6 March 2019
'Ex' date	7 March 2019
Record Date (5.00pm (WST))	8 March 2019
Opening Date	11 March 2019
Rights trading ends	13 March 2019
Deferred settlement trading commences	14 March 2019
Lodgement of Supplementary Prospectus	15 March 2019
Prospectus and Supplementary Prospectus sent to Eligible Shareholders and announcement of issue of the Prospectus and Supplementary Prospectus	18 March 2019
Closing Date (5.00pm (WST))	28 March 2019

Event	Date
ASX notified of any under-subscriptions	2 April 2019
Issue of New Shares and deferred settlement trading ends	4 April 2019
Issue of holding statements and commencement of trading of New Shares	5 April 2019

6. APPLICATIONS

All applications for New Shares must be made on the Offer Acceptance Form attached to the Prospectus.

7. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 15 March 2019.



Demetrios Pynes
Managing Director