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# THREAT PROTECT AUSTRALIA LIMITED

ACN 060 774 227

## NOTICE OF GENERAL MEETING

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Notice is given that the Meeting will be held at:

**TIME:** 3:00 PM (WST)  
**DATE:** 31 July 2020  
**PLACE:** Hay Room, BDO  
38 Station Street  
SUBIACO WA 6008

*Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval under section 611 item 7 of the Corporations Act (refer to Resolution 1). The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders. The Independent Expert has determined the transactions the subject of Resolution 1 is not fair but reasonable to the non-associated Shareholders.*

*The business of the Meeting affects your shareholding and your vote is important.*

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00PM (WST) on 29 July 2020.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – APPROVAL OF ISSUE OF CONVERSION SHARES AND THE MAXIMUM VOTING POWER BY BLACK CRANE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of Section 611 (Item 7) of the Corporations Act and for all other purposes, authorisation and approval is given for the Company to issue Shares to Black Crane on the conversion of 6,500,000 Loan Notes (including satisfaction of maximum interest to be accrued under the Loan Notes) on the terms and conditions set out in the Explanatory Statement, which may result in the acquisition by Black Crane of a relevant interest in greater than 20% of the fully diluted share capital of the Company and may result in Black Crane and its associates’ voting power in the Company increasing from 12.97% as at the date of this Notice to up to 33.89% and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Black Crane and any of its associates.

**Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required for Resolution 1 under Section 611 Item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES TO BLACK CRANE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 31,250,000 Shares to Black Crane on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved (namely Black Crane) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

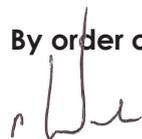
- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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**Dated: 23 June 2020**

**By order of the Board**



**Peter Webse  
Company Secretary**

## **Voting in person**

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To vote in person, Shareholders are able to attend the Meeting at the time, date and place set out above. In light of on the status of the evolving COVID-19 situation and easing of Government restrictions on public gatherings in place at the time of the Notice and the number of Shareholders that normally attend Shareholder meetings for the Company the Directors have made a decision that Shareholders will be able to physically attend the Meeting in person and accordingly, have arranged an appropriate meeting venue. If the Government restrictions and corresponding decision of the Director's changes prior to the Meeting the Directors will update Shareholders via the Company's ASX platform.

## **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 409 328 199.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. BACKGROUND TO RESOLUTIONS

#### 1.1 Black Crane

Black Crane Asia Pacific Opportunities Fund (**Black Crane**), a Hong Kong based investment fund, is a deep value fund that manages a number of investments with significant corporate finance expertise. Black Crane's investments focus on small/mid cap companies in the Asia Pacific region. Black Crane's investment manager, Black Crane Investment Management (**BCIM**), is licensed by the Hong Kong Securities and Futures Commission for investment management (Type 9) and to advise on securities (Type 4). Black Crane's aim is to partner with the boards and management teams of their investments to create value for all shareholders.

Black Crane made an initial investment in the Company on the 10 December 2019 through the issue of 31,250,000 Shares to Black Crane (**BC Shares**) at an issue price of \$0.16 per Share to raise \$5,000,000. The BC Shares were issued out of the Company's Listing Rule 7.1 placement capacity. Ratification of the issue of the BC Shares is being sought by the Company under Resolution 2 of this Notice.

Subsequent to the issue of BC Shares, on 20 January 2020, Peter Kennan was appointed as a Director of the Company. Prior to founding BCIM in 2009, Peter Kennan was a corporate financier with UBS Asia Pacific. He has 25 years of investment and corporate finance experience across a diverse range of sectors and transactions. With UBS, Peter was Head of Asian Industrials Group for UBS Asia, a corporate finance sector team covering energy, infrastructure, resources, consumer/retail and general industrial companies. Peter was also the Head of Telecoms and Media sector team for UBS Australia specialising in M&A, advising on many large, complex transactions. Peter is currently a Non-Executive Director of ASX listed MMA Offshore Limited.

Mr Kennan is the CEO, CIO and ultimate controlling shareholder of Black Crane's investment manager, BCIM, which makes all investment decisions for Black Crane and therefore has the capacity to determine Black Crane's decisions and outcomes regarding its financial and operating policies. Accordingly, as a result of Peter Kennan's appointment as a Director on 20 January 2020, Black Crane became a related party of the Company by virtue of being an entity controlled by a Director.

#### 1.2 Background to issues of Loan Notes

As announced on 15 April 2020, the Company entered into an unsecured convertible loan note deed, as subsequently varied, with Black Crane to raise \$6,500,000 (**Loan Note Deed**) through the issue of 6,500,000 loan notes each with a face value of \$1.00 (**Loan Notes**), which, subject to Shareholder approval being obtained, will be convertible into Shares.

Accordingly, pursuant to the Loan Note Deed the Company has agreed to seek Shareholder approval for the Loan Notes to become convertible into Shares. Under the terms of the Loan Note Deed, the relevant Shareholder approval must be sought by 15 August 2020.

The key terms of the Loan Notes are set out below at Section 1.3. A summary of the full terms and conditions of the Loan Note Deed is set out in Schedule 1 and a full summary of the terms and conditions of the Loan Notes is set out in Schedule 2.

The funds raised by the Company under the Loan Note Deed will further secure the Company's position to accelerate its growth strategy and have and will continue to be specifically applied to:

- (a) financing further synergies from the consolidation of operations and administration, and leveraging the increased scale of operations;
- (b) reducing the Soliton/SSG debt facility (details of which were announced on 4 March 2019) (**Soliton/ SSG Debt**) by \$1.5m resulting in a net interest cost saving of \$90,000 per annum; and
- (c) improving the Company's working capital position.

As Black Crane currently holds 31,250,000 Shares, if all Loan Notes including the maximum accrued interest payable under the Loan Notes of \$1,125,002 (**Maximum Accrued Interest**) are converted into Shares (**Conversion Shares**) Black Crane and its associates' voting power in the Company may increase to over 20%.

Resolution 1 seeks Shareholder approval for the purpose of Item 7 of Section 611 for the maximum increase in Black Crane and its associates' voting power in the Company as a result of the conversion of the Loan Notes including satisfaction of the Maximum Accrued Interest into Conversion Shares.

### 1.3 Terms of Loan Notes

The material terms of the Loan Notes following receipt of shareholder approval of Resolution 1 are set out below:

(a) **Face Value**

Each Loan Note will have a face value of \$1.00.

(b) **Maturity Date**

15 April 2023.

(c) **Interest**

For the first 3 months, being the period ending 15 July 2020, the interest rate will be 9% per annum and for the remainder of the term the interest rate will be 5% per annum. Interest will accrue and capitalise monthly. Interest is payable upon final repayment or at Black Crane's election by conversion into Shares where the Loan Notes are converted.

(d) **Conversion Price**

Following Shareholder approval of Resolution 1, and subject to (e) and (f) the Loan Notes are convertible into Shares at the election of Black Crane at a conversion price of \$0.10 per Share, adjusted to account for any reorganisation of the Company's share capital and the dilutive impact to the price of the Company's Shares of any rights issue, placement or similar issue of Shares between the date of the Loan Note

Deed and conversion, full details of which are set out in Schedule 2 (**Conversion Price**).

The potential adjustment to the Conversion Price is to ensure that Black Crane is protected from a dilutive impact to the price of the Company's Shares of subsequent Share issues or reorganisations by the Company. Accordingly, the Conversion Price of \$0.10 may be reduced and therefore ultimately the number of Shares to be issued to Black Crane increased.

Resolution 1 seeks Shareholder approval for Black Crane to obtain a maximum voting power in the Company of 33.89%. If the Conversion Price was to be adjusted so that, upon a conversion of the Loan Notes in full, Black Crane's voting power in the Company would increase above 33.89%, then Black Crane would only be entitled to convert that proportion of the Loan Notes as would result in its voting power equalling 33.89% and the conversion of the relevant Loan Notes into Conversion Shares in excess of this threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power.

(e) **Conversion Window**

Following the initial 6 months of the term of the Loan Note Deed, Black Crane can exercise its right to conversion within a 10-business day conversion window commencing on each 1 January, 1 April, 1 June and 1 October until the Maturity Date.

(f) **Conversion Right**

Black Crane may elect to convert some or all of the Loan Notes (including accrued interest) to Shares by providing the Company with written notice setting out the number of Loan Notes to be converted (**Conversion Notice**), provided that:

- (i) a Conversion Notice is issued during a Conversion Window;
- (ii) a Conversion Notice is in respect of Loan Notes with a face value of at least \$500,000 or all Loan Notes held by Black Crane; and
- (iii) the Company and Black Crane have obtained all necessary approvals under the Corporations Act and the ASX Listing Rules and, if required, received approval from the Australian Foreign Investments Review Board.

(g) **Repayment and redemption**

For any Loan Notes remaining on issue as at the Maturity Date, the Company must redeem the Loan Notes by repaying to the noteholder the face value of the outstanding Loan Notes in full and all other outstanding moneys then due and payable.

A full summary of the terms and conditions of the Loan Notes is set out in Schedule 2.

## 1.4 Intention of Directors if Resolution 1 is not approved

If Resolution 1 is not approved by Shareholders then the Loan Notes will not become convertible and the Company will be in default under the Loan Note Deed as the Shareholder approvals required by the Loan Note Deed will not be obtained by 15 August 2020. In such situation the Company will be required to repay Black Crane the full face value of the Loan Notes, being \$6,500,000, within 90 days of the date of this Meeting.

If such situation occurs the Directors intend to seek to raise sufficient capital to repay Black Crane either through debt or equity. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable for the Company. Further, any equity financing will dilute shareholdings of current Shareholders and debt financing, if available, may involve restrictions on the Company's financing and operating activities. If the Company is unable to obtain the capital through debt or equity as required, the Company may be required to divest assets and therefore reduce the scope of its operations and business. Further the Company notes that any further fund raising activities will require the approval from the Company's other existing debt holders, Soliton Capital Partners Pty Ltd and First Samuel Limited, which approvals may not be given or may only be given on unfavourable terms.

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## 2. RESOLUTION 1 – APPROVAL OF ISSUE OF CONVERSION SHARES AND THE MAXIMUM VOTING POWER BY BLACK CRANE

### 2.1 General

Black Crane currently holds the BC Shares being 31,250,000 Shares.

Subject to receipt of Shareholder approval, Black Crane may convert some or all Loan Notes including the Maximum Accrued Interest into Conversion Shares at any time during a Conversion Window prior to the Maturity Date.

As set out in Section 1 above, Resolution 1 seeks Shareholder approval for the purpose of Item 7 of Section 611 to issue Conversion Shares to Black Crane and the associated acquisition by Black Crane and its associates of a voting power which is otherwise prohibited by Section 606(1) of the Corporations Act (the **Conversion Issues**).

### 2.2 Section 606(1) of the Corporations Act and Background to Item 7 of Section 611 of the Corporations Act

#### (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%.

**(Prohibition).**

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person.
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(d) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%; and
- (ii) a body corporate that the person controls.

### 2.3 Voting Power of Black Crane and its associates

Black Crane (together with its associates) currently has a relevant interest in 31,250,000 Shares in the Company, reflecting a voting power in the Company of 12.97% as at the date of this Notice of Meeting.

Following Shareholder approval, Black Crane may elect to convert the Loan Notes including Maximum Accrued Interest into Conversion Shares during the Conversion Windows prior to the Maturity Date. The issue of Conversion Shares will have the potential to impact Black Crane and its associates' voting power.

Particulars on the impact on Black Crane and its associates' voting power is set out below.

#### Current holdings of Black Crane:

Shares	Voting Power*
31,250,000	12.97%

\* assumes no additional Shares are issued.

#### Holdings of Black Crane following conversion of all Loan Notes to Conversion Shares

Following conversion of the Loan Notes into Shares, assuming none of the interest accrued under the Loan Notes is converted into Shares, the shareholding of Black Crane and its associates and resulting voting power in the Company, will be as follows:

Shares*	Voting Power*
96,250,000	31.46%

\* assumes Conversion Price of \$0.10, no additional Shares are issued and that Black Crane does not convert any accrued interest under the Loan Notes into Shares.

#### Holdings of Black Crane following conversion of all Loan Notes including Maximum Accrued Interest to Conversion Shares

Following the conversion of all Loan Notes and the Maximum Accrued Interest into Shares, the shareholding of Black Crane and its associates and resulting voting power in the Company, will be as follows:

Shares*	Voting Power*
107,500,018	33.89%

\* assumes a Conversion Price of \$0.10, no additional Shares are issued and that Black Crane converts Maximum Accrued Interest into Shares.

As stated above the Conversion Price of the Loan Notes may be adjusted from \$0.10 to account for reorganisation of the Company's Share capital and the dilutive impact to the Company's Share price of any rights issue, placement or similar issue of Shares between the date of the Loan Note Deed and conversion. Accordingly, the maximum Conversion Shares is unknown. Resolution 1 seeks

Shareholder approval for Black Crane to obtain a maximum voting power in Company of 33.89%. If the Conversion Price was to be adjusted so that Black Crane's voting power in the Company would increase above 33.89% on conversion of Loan Notes then the conversion of the relevant Loan Notes into Conversion Shares in excess of this threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power.

## **2.4 Reason Section 611 Approval is Required**

As set out above, in the event that Black Crane converts its Loan Notes including Maximum Accrued Interest into Conversion Shares, the voting power of Black Crane and its associates could exceed 20%.

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under Item 7 of Section 611 of the Corporations Act is therefore required to enable Black Crane and its associates to acquire a voting power that would otherwise be in breach of s606(1) of the Corporations Act through conversion of the Loan Notes into the Conversion Shares.

Section 2.5(b) below details the potential maximum increase in voting power of Black Crane and its associates as a result of issue of the maximum Conversion Shares, assuming no other Shares in the Company are issued and therefore an unadjusted Conversion Price of \$0.10.

Pursuant to ASX Listing Rule 7.2 (Exception 8), Listing Rule 7.1 and 7.1A do not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve Resolution 1, the subsequent issues of Conversion Shares will not reduce the Company's placement capacities and the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

## **2.5 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd (**RSM**) annexed to this Explanatory Statement.

### **(a) Identity of the Acquirer and its Associates**

Black Crane is a deep value fund manager, based in the Cayman Islands, with significant corporate finance expertise and is focused on small to mid-cap companies in the Asia Pacific region. Further information on Black Crane is set out in Section 1.1.

Details of the respective relevant interests in the Company held by the associates of Black Crane are set out in Schedule 3.

### **(b) Relevant Interest and Voting Power**

Following Shareholder approval of Resolution 1, Shares can be issued under the Loan Notes at the election of Black Crane upon conversion of some or all of the Loan Notes including outstanding accrued interest.

These circumstances and its impact on the voting power of Black Crane and its associates is discussed below.

The following tables and paragraphs assume that:

- (i) no additional Shares are issued; and
- (ii) there is no adjustment to the conversion price of \$0.10 per Share in accordance with the terms of the Loan Notes (as described in Schedule 2).

**Issue of Shares on Conversion of the Loan Notes (no conversion of interest)**

Set out in Table 1 below is the potential maximum increase in the voting power of Black Crane and its associates upon conversion of the Loan Notes assuming Black Crane does not elect to convert any accrued interest into Shares. The table is based on the voting power of Black Crane and its associates in the Company as at the date of this Notice of Meeting.

**Table 1 - Conversion of Loan Notes**

	All Shareholders	Non-associated Shareholders	Black Crane and its associates
<b>Current shareholding</b>	240,956,278	209,706,278	31,250,000
<b>Current Voting Power</b>	100%	87.03%	12.97%
<b>Conversion of Loan Notes (assuming no interest is converted)</b>	65,000,000	-	65,000,000
<b>Post-conversion shareholding</b>	305,956,278	209,706,278	96,250,000
<b>Post-conversion Voting Power</b>	100%	68.54%	31.46%

\*assumes an unadjusted Conversion Price of \$0.10 as no other Shares are issued in the Company.

Table 1 shows that if the Loan Notes are fully converted, the relevant interest of Black Crane and its associates would increase from 12.97% to a maximum of 31.46% while the collective relevant interests of non-associated Shareholders would reduce from 87.03% to 68.54%.

Table 1 does not allow for the possibility of Shares being issued to satisfy interest payments due under the Loan Notes.

**Issue of Shares in lieu of interest under the Loan Notes**

Under the terms of the Loan Notes, Black Crane can elect to satisfy interest accrued and payable on the unconverted Loan Notes by the issue of Shares at the Conversion Price.

Set out in Table 2 below is the potential maximum increase in the voting power of Black Crane and its associates assuming the Loan Notes are fully converted and all interest payments from 15 April 2020 to 15 April 2023 (the maturity date) are met through the issue of Shares at the Conversion Price.

**Table 2 - Conversion of Loan Notes including Maximum Accrued Interest**

	All Shareholders	Non-associated Shareholders	Black Crane and its associates
<b>Current shareholding</b>	240,956,278	209,706,278	31,250,000
<b>Current Voting Power</b>	100%	87.03%	12.97%
<b>Conversion of Loan Notes</b>	65,000,000	-	65,000,000
<b>Conversion of interest component (assuming Maximum Interest is converted)</b>	11,250,018	-	11,250,018
<b>Post-conversion shareholding</b>	317,206,296	209,706,278	107,500,018
<b>Post-conversion Voting Power</b>	100%	66.11%	33.89%

\*assumes an unadjusted Conversion Price of \$0.10 as no other Shares are issued in the Company.

Table 2 shows that, if the Loan Notes are fully converted and all interest payments for the period 15 April 2020 to 15 April 2023 (the maturity date) are met through the issue of Shares, the relevant interest of Black Crane and its associates would increase from 12.97% to a maximum of 33.89% while the collective relevant interests of non-associated Shareholders would reduce from 87.03% to 66.11%.

Further details on the voting power of Black Crane and its associates are set out in the Independent Expert's Report prepared by RSM.

### **Increase or decrease in voting power**

Noting the maximum voting power of 33.89% being approved under Resolution 1, the voting power of Black Crane and its associates in the Company may be impacted by the following scenarios:

- (i) Increase in voting power:
  - (A) Transaction of Shares by Black Crane or its associates on and off market.
  - (B) Cancellation of Shares held by Shareholders other than Black Crane and its associates.
- (ii) Decrease in voting power:
  - (A) Disposal of Shares held by Black Crane or its associates.
  - (B) Issue of Shares by the Company to Shareholders other than Black Crane or its associates that do not require any adjustment to the Conversion Price or require an

adjustment which is not sufficient to offset the increase in the Company's issued share capital (including through exercise of Option or other convertible securities).

- (C) Conversion of none or a proportion of Loan Notes rather than all of the Loan Notes.
- (D) Black Crane electing to be paid accrued interest in cash instead of Conversion Shares.
- (E) Less interest than the Maximum Accrued Interest accruing based on the timing of conversion of the Loan Notes.

Further, Shareholders should note that the Loan Notes may not all be converted into Conversion Shares but redeemed for cash. The material terms and conditions of the Loan Notes, including the terms that govern redemption, repayment and conversion, are set out in Schedule 2.

Redemption of the Loan Notes (rather than conversion) would result in Black Crane being repaid the relevant amount in cash rather than Shares. The effect of this would be that Black Crane and its associates may acquire less Shares (and a smaller voting power) than the maximum that the approval under Resolution 1 permits.

### **Changes to Conversion Shares based on varying Conversion Prices**

Shareholders should note that the number of Shares issued to Black Crane on conversion of the Loan Notes including Maximum Accrued Interest will ultimately depend on the Conversion Price of the Shares. The Conversion Price, originally set at \$0.10, may be adjusted in accordance with the adjustment provision detailed in Section 1.3(d) to this Notice.

Set out below is a worked example of the number of Shares that may be issued upon conversion of the Loan Notes including Maximum Accrued Interest based on various assumed conversion prices and assuming that no Options are exercised.

<b>Assumed Conversion Price</b>	<b>Number of Shares issued on conversion of Loan Notes including Maximum Accrued Interest<sup>1</sup></b>	<b>Maximum Voting Power</b>	<b>Dilution effect on existing Shareholders</b>
\$0.10	76,250,018	33.89% <sup>3</sup>	31.61%
\$0.075	101,666,690	N/A <sup>4</sup>	42.19%
\$0.05	152,500,036	N/A <sup>4</sup>	63.29%

**Notes:**

1. Rounded up to the nearest whole number.
2. Assumes the all Loan Notes including Maximum Accrued Interest is converted to Conversion Shares.
3. Assumes that no other Shares are issued (including on conversion of Options), Black Crane retains its current interest of 31,250,000 Shares and based on the number of Shares currently on issue of 240,956,278.

4. A change to the Conversion Price from \$0.10 will only occur if the number of Shares on issue in the Company is adjusted either through a reorganisation event or a capital raising at a discounted Share price, accordingly the number of Shares on issue in the Company following such circumstances is not able to be determined accordingly the maximum voting power cannot be determined.

Resolution 1 seeks Shareholder approval for Black Crane to obtain a maximum voting power in Company of 33.89%. Accordingly, if the Conversion Price was to be adjusted so that Black Crane's voting power in the Company would increase above 33.89% on conversion of Loan Notes then the conversion of the relevant Loan Notes into Conversion Shares in excess of this threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power.

The Company notes that as there is no limitation upon the maximum number of Shares that may be issued to Black Crane (or its nominee) on conversion of the Loan Notes, the conversion of the Loan Notes into Conversion Shares could be highly dilutive to existing Shareholders if the Conversion Price is adjusted below \$0.10.

Accordingly, the Company notes that the above workings are an example only and the actual Conversion Price may differ. This will result in the maximum number of Conversion Shares to be issued, the voting power and the potential dilution percentage to differ.

(c) **Reasons for the proposed issue of securities**

As set out in Sections 1.2, 1.3 and 2.3 of this Explanatory Statement, the issue of the Conversion Shares to Black Crane will occur on the potential future conversion of the Loan Notes (together with accrued interest), in accordance with the terms of the Loan Note Deed. The funds raised by the Company under the Loan Note Deed will further secure the Company's position to accelerate its growth strategy and have and will continue to be specifically applied to:

- (i) financing further synergies from the consolidation of operations and administration, and leveraging the increased scale of operations;
- (ii) reducing the Soliton/SSG debt facility (details of which were announced on 4 March 2019) (Soliton/ SSG Debt) by \$1.5m resulting in a net interest cost saving of \$90,000 per annum; and
- (iii) improving the Company's working capital position.

(d) **Date of proposed issue of securities**

Following the 15 October 2020, Conversion Shares (on conversion of all or part of the Loan Notes) can be issued at the election of Black Crane within 10-business day Conversion Windows commencing on each calendar quarter up to the Maturity Date of 15 April 2023.

(e) **Material terms of proposed issue of securities**

A summary of the full terms and conditions of the Loan Note Deed is set out in Schedule 1 and a full summary of the terms and conditions of the

Loan Notes is set out in Schedule 2. The Conversion Shares will rank *pari passu* with the other Shares of the Company.

(f) **Black Crane's Intentions**

Black Crane has informed the Company that as at the date of this Notice of Meeting and on the basis of the facts and information available to it, that it:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company;
- (iii) has no present intention regarding the future employment of the present employees of the Company;
- (iv) has no present intention to redeploy any fixed assets of the Company;
- (v) has no present intention to transfer any property between the Company and Black Crane;
- (vi) has no present intention to change the Company's existing policies in relation to financial matters or dividends; and
- (vii) has no present intention to change the Board.

In its capacity as a major shareholder, and having a Board representative, Black Crane will continue to provide input regarding the direction of the Company's business, including in relation to the above matters where appropriate.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Capital Structure**

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the Conversion Issues.

	Shares	Options <sup>1</sup>
Balance at the date of this Notice	240,956,278	13,571,422
Balance after issue of the maximum Conversion Shares	317,206,296	Nil

**Notes:**

1. Being 9,285,712 Options exercisable at \$0.3395 on or before 31 October 2020, 1,428,570 Options exercisable at \$0.266 on or before 31 October 2020, 1,428,570 Options exercisable at \$0.3269 on or before 31 October 2020 and 1,428,570 Options exercisable at \$0.3377 on or before 31 October 2020. On the Maturity Date of the Loan Notes the Options will have expired.
2. Assumes:

- (i) no additional Shares are issued by the Company (including no Options are exercised);
- (ii) Conversion Price is \$0.10; and
- (iii) all Loan Notes including the Maximum Accrued Interest are converted into Conversion Shares.

## 2.6 Advantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) the issue of the Loan Notes to Black Crane on these terms provides the Company with additional funds of \$6,500,000;
- (b) the auditor of the Company included an emphasis of matter with regard to the Company's ability to operate as a going concern in their unqualified review opinion of the financial statements for the half year ended 31 December 2019. The ability of the Company to remain a going concern and continue operational activities was stated to be dependent on securing additional funding. The \$6.5 million of Loan Notes funding was obtained by the Company in April 2020 with the approval of its other financiers, after the Board undertook a process of approaching external and internal parties to gauge appetite for providing funding;
- (c) if Shareholder approval of Resolution 1 is not obtained, the Company is required to repay to Black Crane the full face value of \$6,500,000 within 90 days of the Meeting. The Company does not currently have the capacity to repay this debt;
- (d) the receipt of the \$6,500,000 from Black Crane on these terms has reduced the Soliton/SSG Debt by \$1.5 million resulting in a net interest cost saving of \$90,000 per annum;
- (e) if Black Crane elects to convert, the issue of Shares to Black Crane on the conversion of the Loan Notes and any accrued interest will preserve the Company's cash reserves. Even if Black Crane does not exercise the conversion option, the Company will not be required to repay the Loan Notes (and accrued interest) until April 2023;
- (f) the stated Conversion Price of \$0.10 for the Black Crane Loan Notes is greater than the Independent Expert's assessed range of values for a Share in the Company and at a significant premium to the current traded share price of \$0.06. If the Company were to raise an equivalent amount of funding through equity in the current market, it would likely be at a discount to the current share price which would result in greater dilution to the non-associated Shareholders; and
- (g) Black Crane is a strong institutional shareholder partner who will add value to the Company's strategic goals.

## 2.7 Disadvantages

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) the Independent Expert's Report concludes that the Conversion Issues are not fair to the non-associated Shareholders;
- (b) non-associated Shareholders will have their voting power reduced on the issue of Conversion Shares to Black Crane or its associates. Consequently the ability of existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly;
- (c) Black Crane may hold up to 33.89% of the Company following the conversion of Loan Notes and the issue of the Conversion Shares. Therefore Black Crane and its associates will be able to have a significant influence and the ability to block compulsory acquisitions and special resolutions of the Company;
- (d) there is no guarantee that the Company's Shares will not fall in value as a result of the Conversion Issues; and
- (e) the number of Conversion Shares that may be issued to Black Crane is subject to dilution adjustments and therefore accurately not known.

## **2.8 Independent Expert's Report**

The Independent Expert's Report prepared by RSM (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 1 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 1 are not fair but reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed Conversion Issues. This assessment is designed to assist all Shareholders in reaching their voting decision.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

## **2.9 Interests and Recommendations of Directors**

Mr Peter Kennan has a material personal interest in the outcome of Resolution 1 by virtue of his relationship with Black Crane for the reason set out in Section 1.1. None of the other Board members have a material personal interest in the outcome of Resolution 1 other than their interest arising solely in their capacity as Shareholders of the Company. Each of the Directors (other than Peter Kennan) who hold Shares in the Company (or whose associated entities hold Shares) and is entitled to vote will vote their Shares in favour of Resolution 1.

Other than Mr Peter Kennan (who abstains from making a recommendation in relation to Resolution 1), the Directors unanimously recommend that Shareholders vote in favour of Resolution 1. The Directors recommendations are based on an assessment of the advantages and disadvantages referred to in Sections 2.6 and 2.7 respectively and being of the view that the advantages outweigh the disadvantages and the Independent Expert has determined the issue of Shares contemplated by Resolution 1 is not fair but reasonable to the non-associated Shareholders.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

## 2.10 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Pursuant to section 210 of the Corporations Act, shareholder approval is not needed to give a financial benefit on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length, or on terms that are less favourable to the related party than these terms (**Arm's Length Exception**).

The issue of the Conversion Shares under the Conversion Issues constitutes giving a financial benefit and Black Crane is a related party of the Company by virtue of being an entity controlled by Peter Kennan, a Director. The Directors (other than Mr Kennan who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Conversion Issues because the Loan Note Deed including the terms of the potential issue of the Conversion Shares were agreed on favourable and reasonable commercial terms following an arm's length negotiation process and accordingly the Arm's Length Exception is applicable.

## 2.11 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of Conversion Shares pursuant to the Conversion Issues would generally fall within Listing Rule 10.11.1. However, under Listing Rule 10.12 (Exception 6), Listing Rule 10.11 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve Resolution 1, the Company will be able to issue the Conversion Shares without the need to obtain Listing Rule 10.11 approval.

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### **3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES TO BLACK CRANE**

#### **3.1 General**

As set out above in Section 1.1 on 10 December 2019, the Company issued the BC Shares, being 31,250,000 Shares to Black Crane at an issue price of \$0.16 per Share to raise \$5,000,000. The BC Shares were issued out of the Company's Listing Rule 7.1 placement capacity.

A summary of Listing Rule 10.11 is set out in Section 2.11 above.

At the time the BC Shares were issued (10 December 2019), Black Crane was not a party of the Company that required Shareholder approval pursuant to Listing Rule 10.11. Specifically, Listing Rule 10.11.1, 10.11.2 or 10.11.3 did not apply as further detailed below:

- 10.11.1 Peter Kennan was not a Director of the Company and therefore Black Crane was not a related party of the Company.
- 10.11.2 Black Crane did not hold any securities in the Company and therefore was not a substantial (30%+) holder in the Company.
- 10.11.3 Black Crane did not hold any securities in the Company, nor did it have the right to nominate a director to the board of the Company, and therefore, Black Crane was not a substantial (10%+) holder in the Company who had nominated a director to the board of the Company.

As set out above, Black Crane did not become a related party of the Company until 20 January 2020, when Peter Kennan (who's relationship with Black Crane is detailed in Section 1.1) was appointed as a Director of the Company.

Accordingly, as Shareholder approval was not required under Listing Rule 10.11, the BC Shares were issued out of the Company's Listing Rule 7.1 capacity.

#### **3.2 Listing Rule 7.1 and 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

The issue of the BC Shares does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the BC Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the BC Shares.

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the BC Shares.

### 3.3 Technical information required by Listing Rule 14.1A

If Resolution 2 is passed, the BC Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue with Shareholder approval over the 12 month period following the date of issue of the BC Shares.

If Resolution 2 is not passed, the BC Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the BC Shares.

### 3.4 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 2:

- (a) the BC Shares were issued to Black Crane, who was not a related party of the Company at the time the BC Shares were issued. Details of when Black Crane became a related party of the Company are set out in Section 3.1;
- (b) 31,250,000 BC Shares were issued and the BC Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) the BC Shares were issued on 10 December 2019;
- (d) the issue price was \$0.16 per BC Share. The Company has not and will not receive any other consideration for the issue of the BC Shares;
- (e) as announced on 5 December 2019, 10 December 2019 and 31 January 2020, the purpose of the issue of the BC Shares was to raise \$5,000,000, which has been applied in accordance with the table below:

Item.	Proceeds	Full subscription \$	%
1.	Earnings accretive acquisitions	874,468	17%
2.	Repayment of borrowings	1,000,000	20%
3.	Costs of raise	262,486	5%
4.	Working Capital	2,863,046	57%

	<b>Total</b>	<b>5,000,000</b>	<b>100</b>
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- (f) the BC Shares were not issued under an agreement; and
- (g) a voting exclusion statement is included in Resolution 2 of the Notice.

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## GLOSSARY

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**\$ and A\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**BC Shares** has the meaning given in Section 1.1.

**BCIM** means Black Crane Investment Management, the entity that makes all investment decisions of Black Crane.

**Black Crane** means Black Crane Asia Pacific Opportunities Fund (a Hong Kong based investment fund).

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Company** means Threat Protect Australia Limited (ACN 060 774 227).

**Constitution** means the Company's constitution.

**Conversion Notice** has the meaning given in Section 1.3(f).

**Conversion Price** has the meaning given in Section 1.3(d).

**Conversion Shares** means Shares to be issued on conversion of the Loan Notes and in satisfaction of accrued interest payable under the Loan Notes as outlined in Section 1.1.

**Conversion Window** has the meaning given in Section 1.3(e)1.3(d).

**Conversion Issues** has the meaning as per Section 2.1.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Independent Expert Report** means the Independent Expert's Report prepared by RSM which is attached to this Notice as Annexure A.

**Loan Notes** has the meaning given in Section 1.2 and for the avoidance of doubt, subject to Shareholder approval of Resolution 1 will have conversion right to be converted into Conversion Shares.

**Loan Note Deed** has the meaning given in Section 1.2.

**Maximum Accrued Interest** has the meaning given in Section 1.2.

**Maturity Date** means 15 April 2023.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Prohibition** is defined in clause 2.2(a) of the Explanatory Statement.

**Proxy Form** means the Proxy Form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**RSM** means RSM Corporate Australia Pty Ltd (ABN 82 050 508 024).

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Issue** means any rights issue, placement or similar issue of Shares.

**Shareholder** means a registered holder of a Share.

**Soliton/SSG Debt** has the meaning given in Section 1.2.

**TERP** means the theoretical ex-rights price, calculated in respect of the Share Issue as the sum of the Company's market capitalisation immediately prior to announcement of the Share Issue plus the total proceeds of the Share Issue divided by the total number of Shares on issue immediately after the Share Issue.

**VWAP** means the volume weighted average price of Shares in the five trading days immediately preceding the announcement of a Share Issue.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – SUMMARY OF THE LOAN NOTE DEED

<b>Face Value</b>	The total aggregate face value of the Loan Notes is \$6,500,000.
<b>Term</b>	15 April 2020 (being the date the loan notes were issued) to 15 April 2023.
<b>Maturity Date</b>	15 April 2023, being 3 years from the date the loan notes were issued.
<b>Repayment</b>	<p>In the event the Face Value has not been converted or otherwise repaid by the Maturity Date, the Company will be required to repay all outstanding moneys.</p> <p>The Company must seek shareholder approval for Resolution 1 by 15 August 2020 unless otherwise agreed to enable the conversion of Loan Notes (including accrued interest) into Shares (<b>Shareholder Approval</b>).</p> <p>If the Company does not obtain the Shareholder Approval by 15 August 2020 unless otherwise agreed, the full Face Value of \$6,500,000 will become payable within 90 days of the shareholder meeting.</p>
<b>Security</b>	The Loan Note Deed is unsecured.
<b>Interest</b>	For the first 3 months, being the period ending 15 July 2020, the interest rate will be 9% per annum and for the remainder of the term the interest rate will be 5% per annum. Interest is payable upon final repayment or by conversion into Shares at the election of Black Crane where Loan Notes are converted.
<b>Structuring Fee</b>	A structuring fee of 7% of the total Face Value was paid to Adalta Capital Limited, an affiliate of Black Crane.
<b>Events of Default</b>	<p>Each of the following constitutes an event of default under the Loan Note Deed:</p> <p>(b) (failure to pay) the Company fails to pay or repay any part of the outstanding moneys when due and payable by it, and that failure is not remedied within 2 Business Days;</p> <p>(c) (failure to perform) the Company fails to perform any other undertaking or obligation of it under this document and, if the failure is capable of remedy, it continues unremedied for 5 Business Days after the failure to comply (or such longer period as may be reasonably agreed by Black Crane, having regard to the circumstances and nature of such failure at the relevant time);</p> <p>(d) (misrepresentation) any representation or warranty of the Company is or becomes incorrect or misleading in any material respect, and if capable of being remedied, continues unremedied for 5 Business Days after such misrepresentation becomes known or is made known to the Company;</p> <p>(e) (Security Interest) any security interest is enforced, or becomes capable of being enforced, against an asset of the Company or a group member having a value in excess of \$100,000;</p> <p>(f) (judgment) a judgment in an amount exceeding \$100,000 is obtained against the Company or a group member and is not set aside or satisfied within 10 Business Days;</p> <p>(g) (execution) a distress, attachment, execution or other process of a government agency is issued against, levied or entered upon an asset of the Company or a group member in an amount exceeding \$100,000 and is not set aside or satisfied within 10 Business Days;</p> <p>(h) (ASX) any of the following occurs after the date of this document:</p> <p>(i) the Company is removed from the official list of the ASX; or</p> <p>(ii) any class of securities in the Company which are officially quoted is suspended from official quotation and remains suspended from official quotation by</p>

	<p>ASX for a continuous period of more than 3 consecutive Business Days;</p> <p>(i) (Financial Indebtedness) any financial indebtedness of the Company or a group member:</p> <p style="padding-left: 20px;">(i) becomes due and payable, or capable of being declared due and payable, before its due date (other than at the option of the Company or relevant group member); or</p> <p style="padding-left: 20px;">(ii) is not paid when due or within any applicable grace period (except to the extent agreed to by the relevant creditor in respect of that financial indebtedness);</p> <p>(j) (Material Adverse Effect) there is in Black Crane's opinion a Material Adverse Effect (as defined in the Loan Note Deed);</p> <p>(k) (Controller) a controller is appointed, or any steps are taken to appoint a controller or a resolution to appoint a controller is passed, or any steps are taken to pass a resolution to appoint a controller to the Company or a group member or over an asset of the Company or a group member;</p> <p>(l) (winding up) an application is made (and is not set aside within 21 days), an order is made, or a resolution is passed for the winding up of the Company or a group member;</p> <p>(m) (administration) an administrator is appointed or a resolution is passed to appoint an administrator, to the Company or a group member;</p> <p>(n) (insolvency) the Company or a group member is unable to pay its debts when they are due or presumed to be insolvent under the Corporations Act;</p> <p>(o) (arrangements) the Company or a group member enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, any of its creditors (except to the extent agreed, waived or otherwise permitted by the holders of the Soliton Debt); or</p> <p>(p) (unenforceability)</p> <p style="padding-left: 20px;">(i) a provision of this document is or becomes illegal, void, voidable or unenforceable;</p> <p style="padding-left: 20px;">(ii) any person becomes entitled to terminate, repudiate, rescind or avoid any provision of this document; or</p> <p style="padding-left: 20px;">(iii) the execution, delivery or performance of the Loan Note Deed by the Company breaches or results in a contravention of any law.</p> <p>If an event of default subsists, Black Crane may at any time by notice to the Company declare that the Face Value, all accrued interest and all other outstanding moneys are immediately due and payable and upon receipt of such notice the Company must immediately repay all outstanding amounts.</p>

## SCHEDULE 2 – TERMS AND CONDITIONS OF LOAN NOTES

<b>Face Value</b>	\$1.00 per Loan Note
<b>Conversion Window</b>	Subject to receiving shareholder approval for the conversion of the Loan Notes into Shares and following the initial 6 months of the Term, Black Crane can exercise its right to conversion within a 10-business day conversion window commencing on each 1 January, 1 April, 1 June and 1 October ( <b>Conversion Window</b> ).
<b>Conversion Rights</b>	<p>Black Crane may elect to convert some or all of the Loan Notes (including accrued interest) to Shares by providing the Company with written notice setting out the number of Loan Notes to be converted (<b>Conversion Notice</b>).</p> <p>Black Crane may only issue a Conversion Notice if:</p> <ul style="list-style-type: none"> <li>(a) such Conversion Notice is issued during a Conversion Window;</li> <li>(b) such Conversion Notice is in respect of Loan Notes with a face value of at least \$500,000 or all Loan Notes held by Black Crane; and</li> <li>(c) the Company and Black Crane have obtained all necessary approvals under the Corporations Act and the ASX Listing Rules and, if required, received approval from the Australian Foreign Investments Review Board.</li> </ul>
<b>Conversion Price</b>	<p>The Loan Notes are convertible into Shares at a conversion price of \$0.10 per Share adjusted to account for:</p> <ul style="list-style-type: none"> <li>(a) any reorganisation of the Company's share capital (including any split, reorganisation, consolidation, subdivision or analogous event) such that on conversion Black Crane would have been entitled to receive the same proportion of total Shares of the Company on issue as would have been the case if the reorganisation had not occurred; and</li> <li>(b) the dilutive impact of any rights issue, placement or similar issue of Shares between the date of the Loan Note Deed and conversion, calculated by multiplying the conversion price by the lesser of: <ul style="list-style-type: none"> <li>(i) 1.00; and</li> <li>(ii) an amount equal to the applicable TERP divided by the applicable VWAP,</li> </ul> less any distribution paid in respect of a Share between the date of the Loan Note Deed and conversion.</li> </ul> <p>If the Conversion Price was to be adjusted so that Black Crane's voting power in the Company would increase above 33.89% on conversion of Loan Notes then the conversion of the relevant Loan Notes into Conversion Shares in excess of that threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power.</p>
<b>Conversion Ratio</b>	<p>The number of Shares to be issued on conversion of the Loan Notes is equal to X in the following formula:</p> $X = \frac{Y}{Z}$ <p>Where:</p> <p><b>Y</b> is the aggregate value of the face value of the Loan Notes being converted and all other outstanding moneys in respect of those Loan Notes (including capitalised interest and interest accrued on that capitalised interest) and whether payable or not; and</p> <p><b>Z</b> is the Conversion Price then in effect (as set out above).</p>

<b>Repayment and Redemption</b>	For any Loan Notes remaining on issue (that have not been previously converted) as at 15 April 2023 the Company must redeem the Loan Notes by repaying to the noteholder the face value in full and all other outstanding moneys then due and payable.
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## SCHEDULE 3 – RELEVANT INTEREST OF BLACK CRANE AND ITS ASSOCIATES IN THE COMPANY

Particulars with respect to the relevant interest of Black Crane and its associates in the Company as at the date of this Notice are set out below:

Holder of relevant interest	Registered holder of securities	Nature of relevant interest	Class and number of securities	Person's votes
Black Crane Asia Pacific Opportunities Fund	Black Crane Asia Pacific Opportunities Fund	Registered holder	31,250,000 Shares	31,250,000
Black Crane Hong Kong	Black Crane Asia Pacific Opportunities Fund	Black Crane Hong Kong is the ultimate parent company of Black Crane Advisors and BCIM	31,250,000 Shares	31,250,000
Black Crane Advisors	Black Crane Asia Pacific Opportunities Fund	Black Crane Advisors is responsible for providing investment advice to BCIM and Peter Kennan is the sole director of Black Crane Advisors	31,250,000 Shares	31,250,000
Black Crane Investment Management ( <b>BCIM</b> )	Black Crane Asia Pacific Opportunities Fund	BCIM is a Hong Kong licenced fund manager and is responsible for all investment decisions of Black Crane  Peter Kennan is the sole director of BCIM	31,250,000 Shares	31,250,000
Adalta Capital Limited	Black Crane Asia Pacific Opportunities Fund	Adalta Capital Limited is 100% owned by Peter Kennan and is a majority shareholder of Black Crane Hong Kong (the parent entity)	31,250,000 Shares	31,250,000
Peter Kennan	Black Crane Asia Pacific Opportunities Fund	Mr Kennan is the CEO, CIO and ultimate controlling shareholder of Black Crane's investment manager, BCIM, which makes all investment decisions for Black Crane.  Mr Kennan is also the sole director of BCIM.	31,250,000 Shares	31,250,000

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**ANNEXURE A – INDEPENDENT EXPERT’S REPORT**

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# THREAT PROTECT AUSTRALIA LIMITED

Financial Services Guide and Independent Expert's Report

June 2020

*We have concluded that the Proposed Transaction is Not Fair but Reasonable*

# FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. The majority of our directors are also partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## Complaints resolution

### Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au). You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

## Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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23 June 2020

The Directors  
Threat Protect Australia Limited  
672 Murray Street  
Perth WA 6005

Dear Directors

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Threat Protect Australia Limited ("TPS" or "the Company") to be held on or around 31 July 2020, at which shareholder approval will be sought for (among other things) the issue of convertible loan notes to an existing strategic investor, Black Crane Asia Pacific Opportunities Fund ("Black Crane"), in accordance with an unsecured loan note deed ("Loan Note Deed").
- 1.2 The Loan Note Deed was executed on 14 April 2020 and provided for \$6.5 million in funding through the issue of 6,500,000 loan notes each with a face value of \$1 ("Loan Notes"), which, subject to Shareholder approval, will be convertible into fully paid ordinary shares in TPS ("Shares") ("the Proposed Transaction").
- 1.3 The terms of the Loan Note Deed, as subsequently varied on 22 June 2020, provided for the Company to seek shareholder approval to enable the ultimate conversion of the loan (including accrued interest) into TPS Shares at the election of Black Crane. The shareholder approval must be sought by 15 August 2020.
- 1.4 As Black Crane is currently a substantial shareholder of TPS, the conversion of the Loan Notes may result in Black Crane's relevant shareholding increasing to over 20%, accordingly the Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Corporations Act.
- 1.5 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").
- 1.6 The request for shareholder approval is included as Resolution 1 in the Notice.

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

Resolution 1 – Approval of Issue of Conversion Shares and the Maximum Voting Power by Black Crane

*“That, for the purpose of Section 611 (Item 7) of the Corporations Act and for all other purposes, authorisation and approval is given for the Company to issue Shares to Black Crane on the conversion of 6,500,000 Loan Notes (including satisfaction of maximum interest to be accrued under the Loan Notes) on the terms and conditions set out in the Explanatory Statement, which may result in the acquisition by Black Crane of a relevant interest in greater than 20% of the fully diluted share capital of the Company and may result in Black Crane and its associates’ voting power in the Company increasing from 12.97% as at the date of this Notice to up to 33.89% and otherwise on the terms and conditions set out in the Explanatory Statement.”*

- 1.7 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and investment strategy. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

## 2. Summary and conclusion

### Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders of TPS.

### Approach

- 2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in the issued shares of a public company if the transaction results in that person’s voting interest increasing from below 20% to equal or above 20%.
- 2.4 Under item 7 of section 611 of the Act, the prohibition in section 606 does not apply if the acquisition has been approved by the non-associated shareholders of the Company.
- 2.5 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.6 We have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders in accordance with the guidance in RG 111 by assessing and comparing:
- The Fair Market Value of a Share in TPS on a control basis prior to the Proposed Transaction; with
  - The Fair Market Value of a Share in TPS on a non-control basis immediately post completion of the Proposed Transaction,
- and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision as to whether or not to approve the Proposed Transaction.
- 2.7 Further information on the approach we have employed in assessing whether the Proposed Transaction is “fair” and “reasonable” is set out at Section 4 of this Report.

### Fairness

- 2.8 Our assessed values of a TPS Share prior to and immediately after the Proposed Transaction are summarised in the table and figure below.
- 2.9 We have considered the value of a TPS Share post the Proposed Transaction under two separate scenarios:
- Scenario 1 – Assuming no conversion of the Loan Notes to equity, and deducting a minority interest discount; and
  - Scenario 2 – Assuming full conversion of the Loan Notes to equity, all capitalised interest is converted to equity and deducting a minority interest discount.

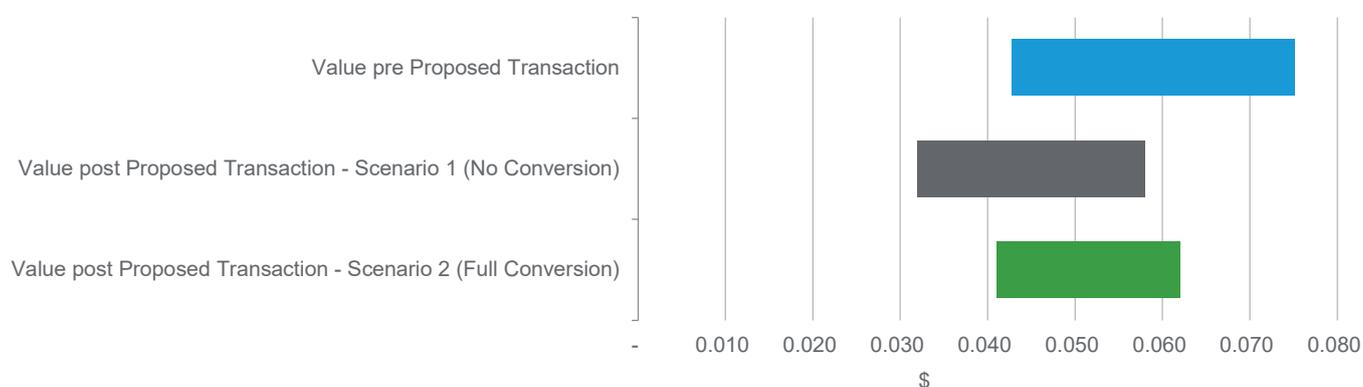
**Table 1 Assessed values of a TPS Share pre and post the Proposed Transaction**

Assessment of fairness A\$	Ref.	Value		
		Low	High	Mid-point
Fair value of a TPS Share pre the Proposed Transaction		0.043	0.075	0.059
Fair value of a TPS Share post the Proposed Transaction - Scenario 1		0.032	0.058	0.045
Fair value of a TPS Share post the Proposed Transaction - Scenario 2		0.041	0.062	0.051

Source: RSM Analysis

2.10 We have summarised the values included in the table above in the chart below.

**Figure 1 TPS Share valuation graphical representation**



Source: RSM analysis

2.11 The chart above indicates that the ranges of undiluted values post the Proposed Transaction on a minority basis are less than the range of undiluted values prior to the Proposed Transaction on a control basis. We note that the assessed range of values assuming full conversion of the Loan Notes (Scenario 2) is more comparable to the range of values prior to the Proposed Transaction, sitting at the lower end of the pre Proposed Transaction range.

2.12 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be **not fair** to the Non-Associated Shareholders of TPS.

## Reasonableness

2.13 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

- 2.14 If the Proposed Transaction is not approved by Shareholders then the Loan Notes will not become convertible and the Company will be in default under the Loan Note Deed as the required Shareholder approvals will not have been obtained by 15 August 2020.
- 2.15 In such circumstances, the Company will be required to repay the \$6.5 million of Loan Notes to Black Crane within 90 days of the Shareholder vote.
- 2.16 TPS does not currently have the capacity to repay this debt and therefore the Directors would be required to urgently seek alternative funding, either through debt or equity. There is no guarantee that the Company will be able to secure such additional funding or be able to secure such funding on favourable terms for the Company, particularly given the current global economic conditions caused by the COVID-19 pandemic.
- 2.17 The key advantages of approving the Proposed Transaction are:

Advantage	Details
Ability to continue operations as a going concern	The auditor of TPS included an emphasis of matter with regard to the Company's ability to operate as a going concern in their unqualified review opinion of the financial statements for the half year ended 31 December 2019. The ability of TPS to remain a going concern and continue operational activities was stated to be dependent on securing additional funding. The \$6.5 million of Loan Notes funding was obtained by the Company in April 2020 with the approval of its other financiers, after the Board undertook a process of approaching external and internal parties to gauge appetite for providing funding.
Not trigger repayment of Loan Notes	If Shareholder approval to issue the Loan Notes is not obtained, TPS is required to repay to Black Crane the full face value of \$6,500,000 within 90 days. TPS does not currently have the capacity to repay this debt.
Reduction of existing debt facilities and associated interest payments	TPS can apply the funds from the Loan Notes to reduce the Soliton debt by \$1.5 million resulting in a net interest cost saving of \$90,000 per annum.
Preservation of cash reserves	If Black Crane elects to convert, the issue of ordinary shares to Black Crane on the conversion of the Loan Notes and any accrued interest will preserve TPS' cash reserves. Even if Black Crane does not exercise the conversion option, TPS will not be required to repay the Loan Notes (and accrued interest) until April 2023 if Shareholder approval is obtained for the Proposed Transaction.
Conversion price is higher than assessed share value range	The stated conversion price of \$0.10 for the Black Crane Loan Notes is greater than our assessed range of values for a TPS Share and at a significant premium to the current traded share price of approximately \$0.05. If TPS were to raise an equivalent amount of funding through equity in the current market, it would likely be at a discount to the current share price which would result in greater dilution to the Non-Associated Shareholders.

- 2.18 The key disadvantages of approving the Proposed Transaction are:

Disadvantage	Details
The Proposed Transaction is not fair	The Proposed Transaction is not fair to the Non-Associated Shareholders.
Dilution of voting power	Upon conversion of the Loan Notes the existing Non-Associated Shareholders will have their voting power diluted, reducing their ability to influence decisions such as composition of the Board and the acquisition and disposal of assets.
Significant influence of Black Crane	Upon conversion of the Loan Notes, Black Crane may hold up to 33.89% of the voting power of TPS. Black Crane and its associates will have a significant influence and the ability to block compulsory acquisitions and special resolutions of the Company.

- 2.19 The directors undertook a review of funding options prior to the issue of the Black Crane Loan Notes, with other options either not progressing or not considered to be in the best interests of shareholders. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of TPS at this time.
- 2.20 Shareholders should read our detailed consideration of reasonableness as set out in Section 11.
- 2.21 In our opinion, the position of the Non-Associated Shareholders of TPS if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of TPS.
- 2.22 Non-Associated Shareholders should have particular regard to the potential advantages and disadvantages set out above in the context of their own risk profile and investment strategy.

### 3. Summary of Proposed Transaction

#### Overview

- 3.1 On 14 April 2020, Threat Protect Australia Limited entered into an unsecured Loan Note Deed, subsequently varied on 22 June 2020, to issue 6,500,000 Loan Notes to Black Crane.
- 3.2 The key terms of the Loan Note Deed are:
- Total commitment of \$6,500,000 on an unsecured basis;
  - Issue price (face value) of \$1.00 per Loan Note;
  - Maturity date on third anniversary of issue of Loan Notes (15 April 2023) (“Maturity Date”);
  - Interest rate of 9% per annum for the first three months, being the period ending 15 July 2020, and 5% per annum thereafter, accruing and capitalising monthly on outstanding monies. Interest is payable upon final repayment or by conversion into Shares at the election of Black Crane if Loan Notes are converted; and
  - TPS must seek shareholder approval for the ultimate conversion of the Loan Notes into Shares and a maximum increase in Black Crane and its associates’ voting power as a result of that conversion by 15 August 2020. If shareholder approval is not granted, TPS must repay the Loan Notes to Black Crane within 90 days of the later of the shareholder meeting date or 15 August 2020.
- 3.3 The key terms of the Loan Notes with respect to the conversion rights are:
- Following an initial six-month period, and subject to certain conditions, Black Crane can exercise its right to convert the Loan Notes to TPS Shares within a 10-day conversion window commencing at the start of each calendar quarter during the term of the loan;
  - Conversion price of \$0.10 per Share to be adjusted to account for any reorganisation or the dilutive impact on the Company’s Share price of any rights issue, placement or similar issue of Shares between the date of the Loan Note Deed and conversion; and
  - Any Loan Notes remaining as at 15 April 2023 must be repaid to Black Crane in full along with all other monies outstanding.
- 3.4 The Company received the amount of \$6.5 million from Black Crane, net of a 7% structuring fee payable to an associate of Black Crane, and the Loan Notes were issued on 15 April 2020.

#### Key conditions of the Proposed Transaction

- 3.5 Completion of the Proposed Transaction is subject to and conditional upon a number of conditions precedent, including TPS obtaining all of the necessary shareholder, regulatory and ASX approvals.

#### Rationale for the Proposed Transaction

- 3.6 TPS has an existing debt facility of approximately \$36 million with Soliton Capital Partners Pty Ltd (“Soliton”); the Black Crane Loan Notes are subordinated to the Soliton facility.
- 3.7 The funding received via the Loan Notes issue will assist to secure TPS’s financial position and has and will continue to be applied as follows:
- Reducing the Soliton debt facility of \$1.5 million resulting in net interest savings of approximately \$90,000 per annum;

- Financing operational synergies from the consolidation of operations and administration; and
- Improving the working capital position of the Company.

### Impact of Proposed Transaction on TPS's Capital Structure

- 3.8 The table below sets out a summary of the capital structure of TPS prior to and post the Proposed Transaction, assuming the Loan Notes are converted at the Maturity Date at a conversion price of \$0.10 per Share. Black Crane currently holds 31,250,000 ordinary shares of TPS, representing a 12.97% interest in the Company.
- 3.9 On conversion of the Loan Notes, Black Crane's interest would increase to 31.46% assuming no accrued interest is converted and no other Shares are issued, and to 33.89% assuming all accrued interest is converted into ordinary shares and no other Shares are issued.
- 3.10 The conversion right is at the election of Black Crane. Should the Loan Notes not be converted then TPS would be required to repay the \$6.5 million in cash plus accrued interest at the Maturity Date and there would be no impact on Black Crane's voting interest.
- 3.11 We note that the terms of the Black Crane Loan Notes allow for the conversion price to be adjusted from \$0.10 to account for any re-organisation of the Company's share capital or the dilutive effect of any rights issue, placement or similar issue of shares by TPS prior to conversion of the Loan Notes. Resolution 1 seeks shareholder approval for a maximum voting power in the Company of 33.89%, if the conversion price were adjusted such that that upon conversion of the Loan Notes in full, Black Crane's voting power in the Company would increase above 33.89%, then Black Crane would only be entitled to convert that proportion of the Loan Notes as would result in its voting power equalling 33.89% and the conversion of the relevant Loan Notes into Shares in excess of this threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power. Accordingly, our analysis of the Proposed Transaction has been prepared on the basis of a maximum 33.89% interest and \$0.10 per Share conversion price.

**Table 2 Share structure of TPS pre and post the Proposed Transaction (assuming conversion at \$0.10 and no other shares are issued)**

	Prior to Proposed Transaction		Post Proposed Transaction – On Conversion (excluding Interest) <sup>1</sup>		Post Proposed Transaction - On Conversion (including Interest) <sup>2</sup>	
<b>Current Shares on issue:</b>						
Non-Associated Shareholders	209,706,278	87.03%	209,706,278	87.03%	209,706,278	87.03%
Black Crane	31,250,000	12.97%	31,250,000	12.97%	31,250,000	12.97%
<b>Current shares on issue</b>	<b>240,956,278</b>	<b>100.00%</b>	<b>240,956,278</b>	<b>100.00%</b>	<b>240,956,278</b>	<b>100.00%</b>
<b>Conversion of Loan Notes:</b>						
Black Crane	-	-	65,000,000	100.0%	76,250,018	100.0%
<b>Total shares issued</b>	<b>-</b>	<b>-</b>	<b>65,000,000</b>	<b>100.0%</b>	<b>76,250,018</b>	<b>100.0%</b>
<b>Post Conversion:</b>						
Non-Associated Shareholders	209,706,278	87.03%	209,706,278	68.54%	209,706,278	66.11%
Black Crane	31,250,000	12.97%	96,250,000	31.46%	107,500,018	33.89%
<b>Post Conversion shares on issue</b>	<b>240,956,278</b>	<b>100.00%</b>	<b>305,956,278</b>	<b>100.00%</b>	<b>317,206,296</b>	<b>100.00%</b>

Source: Company estimates

1. Scenario 1 assumes that only the face value of the Loan Notes converts into Shares at the Maturity Date
2. Scenario 2 assumes that the face value along with capitalised monthly interest of the Loan Notes converts into Shares at the Maturity Date

## 4. Scope of the Report

### Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. Completion of the Proposed Transaction could result in Black Crane increasing its potential interest in TPS from 12.97% to a maximum of 33.89% subject to TPS electing to convert its Loan Notes.
- 4.2 If the conversion price of the Loan Notes was to be adjusted so that, upon a conversion of the Loan Notes in full, Black Crane's voting power in the Company would increase above 33.89%, on conversion of Loan Notes then Black Crane would only be entitled to convert that proportion of the Loan Notes as would result in its voting power equalling 33.89% and the conversion of the relevant Loan Notes into Shares in excess of this threshold would be subject to the Company obtaining further Shareholder approval in accordance with section 611 item 7 of the Corporation Act in respect of the increased maximum voting power.
- 4.3 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.4 Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 2 under Item 7 of Section 611 of the Act.
- 4.5 Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

### Basis of evaluation

- 4.6 In determining whether providing the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
- The issues facing the security holders for whom the report is being prepared; and
  - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.10 RG 111 applies the fair and reasonable test as two distinct criteria in the circumstance of a takeover offer, stating:
- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
  - A takeover is considered "reasonable" if it is fair, or where the offer is "not fair" it may still be reasonable if the expert believes that there are sufficient reasons for security holders to accept the offer.

- 4.11 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis we have undertaken is as follows:
- A comparison of the fair value of an ordinary Share in TPS prior to (on a control basis) and immediately following (on a non-control basis) the Proposed Transaction – fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.
- 4.12 The other significant factors to be considered include:
- The prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.13 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

## 5. Profile of Threat Protect Australia Limited

### Background

- 5.1 TPS has been operating since 2007 and listed on the ASX in September 2015 via a reverse takeover of East Africa Resources Limited which was incorporated in 1993. TPS is based in Perth, Western Australia and provides end-to-end security solutions to Australian homes and businesses. TPS operates in the monitored security systems, security personnel and corporate risk consultancy security segments.
- 5.2 TPS is a fully licensed security business with the Western Australian, New South Wales, Victorian, Queensland and South Australian police departments. It is also a member of other national and international security bodies.
- 5.3 The majority of TPS's activities relate to the provision of monitored security systems. The Company currently operates three 24-hour monitoring centres located in New South Wales, South Australia and Western Australia. TPS partners with resellers of alarm systems to drive organic monitoring customer growth.
- 5.4 TPS offers high net worth family security solutions, including development of personal and family safety procedures, ongoing review and assessment in relation to the penetrability of existing residences, incident management and response services, and provision of close personal protection/personal security drivers. TPS has also developed the Safe@Home personal alarm system and the Safe Haven personal security app.
- 5.5 The Company also offers business security solutions, such as security risk advisory and security program development services, customer liaison and security personnel, staff safety training services, and protective technology and monitored security systems; security and risk consulting, and surveillance and counter surveillance services.
- 5.6 In May 2019 the Company completed a \$35 million acquisition of Onwatch Pty Ltd and associated entities ("Onwatch") primarily settled in cash, including \$1.5 million of contingent consideration payable 12 months from the acquisition date.
- 5.7 On 27 June 2019 TPS disposed of its 42.95% investment in Security House Monitoring Pty Ltd.
- 5.8 On 31 December 2019 the Company acquired two new monitoring client bases for \$1,900,000 in Queensland and Western Australia, providing approximately \$600,000 of additional annual revenue with no significant associated increase in overhead costs expected for the Group.
- 5.9 TPS's strategy is to consolidate the security monitoring industry which is highly fragmented in Australia. The Group's growth strategy is focused on leveraging the existing fixed cost infrastructure and capacity in their security control rooms through the acquisition of monitored security client bases across Australia.
- 5.10 Approximately 82% of total revenue is derived from monitoring services, 16% from protective services and the remaining 2% from other services.

## Group Structure

5.11 TPS has the following subsidiaries (together referred to as the “Group”):

Name	Ownership interest
Threat Protect Group Pty Ltd	100%
Threat Protect Security Services Pty Ltd	100%
Chipla Holdings Pty Ltd	100%
VIP Security Industries Pty Ltd	100%
AVMC (Aust) Pty Ltd	100%
Alpha Alarms Pty Ltd	100%
Seekers Security & Management Pty Ltd	100%
Security Alarm Monitoring Service Pty Ltd	100%
Onwatch Pty Ltd	100%
Onwatch (VIC) Pty Ltd	100%
Alarm Monitoring Pty Ltd	100%
Electralarm Australia Pty Ltd	100%
House of Security Plus Pty Ltd	100%
Service 101 Pty Ltd	100%

## Directors

5.12 The directors of TPS are summarised in the table below.

**Table 3 TPS Directors**

Name	Title	Experience
<b>Derek La Ferla</b>	Non-Executive Chairman	Derek is a corporate lawyer and company director with more than 30 years’ experience. Derek is a Partner with leading independent Western Australian firm Lavan. He is a member of the National Board of the AICD and its WA Council.
<b>Demetrios Pynes</b>	Managing Director	Demetrios has specialist knowledge of both the finance and security industries. He holds a Bachelor of Commerce with double majors in finance and banking and has post-graduate qualifications in Commerce. Demetrios spent several years in the banking and finance sector, during which time he was an analyst and adviser to high net worth clients. For the past 13 years, he has operated various businesses, mainly in the security industry. Demetrios is a co-founder of Threat Protect.
<b>Dimitri Bacopanos</b>	Non-Executive Director	Dimitri has experience in mergers and acquisitions, most recently as Executive Director in the Transaction Advisory Services team at Ernst & Young. He has more than 20 years’ commercial experience in both private and ASX listed companies and has worked across a number of major transactions, including in the technology, industrial, and agriculture sectors.
<b>Dennison Hambling</b>	Non-Executive Director	Dennison is the head of Public and Private Equity for 360 Capital group and has over 20 years of capital market experience. He joined 360 Capital in 2019 having been Chief Investment Officer of First Samuel Limited for 12 years. Prior to this Dennison was a portfolio manager at Cooper Investors Ltd and prior to that worked at Goldman Sachs JBWere as an analyst. Dennison is currently a Non-Executive Director of a private medical business, a North American silica producer and a Director of the 360 Capital Equities Management Pty Ltd (a substantial shareholder of the Company), the manager of the 360 Capital Active Value Fund.

Name	Title	Experience
Peter Kennan	Non-Executive Director	Peter is CEO and CIO of Black Crane Capital. The Black Crane Asia Pacific Opportunities Fund, managed by Black Crane Capital, is a substantial shareholder of the Company. Prior to founding Black Crane in 2009, Peter was a corporate financier with UBS Asia Pacific. He has 25 years of investment and corporate finance experience across a diverse range of sectors and transactions. With UBS, Peter was Head of Asian Industrials Group for UBS Asia, a corporate finance sector team covering energy, infrastructure, resources, consumer/retail and general industrial companies. Peter was also the Head of Telecoms and Media sector team for UBS Australia specialising in M&A, advising on many large, complex transactions. Peter is currently a Non-Executive Director of ASX listed MMA Offshore Limited.

Source: Company

## Financial information of TPS

- 5.13 The information in the following section provides a summary of the financial performance of TPS for the years ended 30 June 2018 and 30 June 2019 extracted from the audited financial statements of the Company, as well as the financial performance for the six months to 31 December 2019 extracted from the reviewed financial statements of the Company.
- 5.14 The auditor of TPS, BDO, issued unqualified review and audit opinions on the financial statements for the half year ended 31 December 2019 and year 30 June 2019 respectively, but included an emphasis of matter with regard to the Company's ability to operate as a going concern.
- 5.15 The auditor's review report signed on 28 February 2020 drew attention to events and conditions which gave rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. These conditions including the loss-making position and net cash outflows of the Group in the six months ended 31 December 2019, and a deficiency in working capital of \$8.5 million as at 31 December 2019. The notes to the financial statements note that the ability of the Group to continue as a going concern was dependent on securing additional funding through various sources.
- 5.16 The Group had entered into repayment plans with various creditors, including the ATO, and stated that the Directors expected to be able to raise sufficient funds and generate positive operating cash flows which would enable the Group to settle liabilities in the normal course of business and continue trading.
- 5.17 On 2 March 2020, the Group announced a cost cutting committee had been formed to identify significant cost cutting measures that could be effected in the short and medium term. The March 2020 quarter report noted that the Double Bay, NSW monitoring centre (which was acquired as part of the Onwatch acquisition) had been closed and operations consolidated into the Kingsgrove, NSW monitoring centre, delivering expected operational costs savings of \$50,000 per month.
- 5.18 On 15 April 2020, the Group announced that \$6.5 million of funding had been secured from Black Crane and amendments had been made to covenants and principal reduction on the existing senior debt facility with Soliton Capital Partners / SSG ("Soliton/SSG Debt").

## Financial performance

5.19 The following table sets out a summary of the financial performance of TPS for the two years ended 30 June 2019 and the six months ended 31 December 2019.

**Table 4 TPS historical financial performance**

A\$000's	Ref	Half year ended 31-Dec-19 Reviewed	Year ended 30-Jun-19 Audited	Year ended 30-Jun-18 Audited
Revenue from contracts with customers	5.20	14,164	19,741	14,683
Cost of sales		(12,857)	(17,475)	(12,481)
<b>Gross Profit</b>	<b>5.26</b>	<b>1,307</b>	<b>2,266</b>	<b>2,202</b>
Share of profits of associates accounted for using the equity method	5.31	-	82	22
Other income	5.32	158	801	896
Interest revenue		1	8	9
Administration expenses		(2,049)	(2,671)	(2,244)
Business acquisition and integration costs		(2,494)	(3,878)	(925)
Compliance and regulatory costs		(445)	(613)	(339)
Legal and consulting fees		(46)	(46)	(43)
Marketing and business development		(426)	(758)	(494)
Occupancy costs		(120)	(266)	(271)
Recovery/(impairment) of receivables	5.33	150	(200)	(186)
Impairment of assets	5.34	-	(5,236)	(642)
Share-based payments		-	(227)	(550)
Finance costs	5.35	(3,988)	(2,820)	(1,069)
<b>Loss before income tax expense</b>		<b>(7,952)</b>	<b>(13,558)</b>	<b>(3,634)</b>
Income tax benefit		933	2,937	388
<b>Loss for the period</b>		<b>(7,019)</b>	<b>(10,621)</b>	<b>(3,246)</b>
Other comprehensive income for the period, net of tax		-	-	-
<b>Comprehensive loss for the year</b>	<b>5.20</b>	<b>(7,019)</b>	<b>(10,621)</b>	<b>(3,246)</b>

Source: Company Financials

5.20 TPS recorded losses before income tax of (\$3.6 million), (\$13.6 million) and (\$8.0m) in the years ended 30 June 2018, 30 June 2019 and the six months ended 31 December 2019 respectively.

5.21 Revenue from client contracts has increased from \$14.7 million for the year ended 30 June 2018 to \$28.3 million based on the annualised revenues for the six months ended 31 December 2019. Revenue from client contracts relates to three service lines:

- Monitoring
- Protective Services
- Other Services

- 5.22 Revenue primarily relates to the provision of monitoring services, which has steadily increased from 58% to 82% of revenue, and from \$1.2 million per month to \$1.9 million per month, over the period from the year ended 30 June 2018 to the six months to 31 December 2019. The gross profit margin from monitoring services for the six months to 31 December 2019 was 12%.
- 5.23 The increase in monitoring revenue has primarily been driven by the acquisition of Onwatch in May 2019.
- 5.24 Revenue from the provision of protective services has declined as a proportion of revenue from client contracts from 34% in the year ended 30 June 2018 to 16% in the six months to 31 December 2019 but has remained broadly consistent on an annualised basis at \$4.6 million.
- 5.25 The provision of other services relates to the installation and maintenance of alarm and CCTV systems. Revenue from this service line has declined as a proportion of revenue from client contracts from 8% in the year ended 30 June 2018 to 2% in the six months to 31 December 2019 in line with the Group's strategy to refer this work to partners.
- 5.26 Cost of sales includes \$4.6 million of depreciation and amortisation for the six months to 31 December 2019, and \$4.9 million and \$1.8 million for the year to 30 June 2019 and 2018 respectively.
- 5.27 Gross profit margin has declined from 15% in the year ended 30 June 2018 to 9% in the six months to 31 December 2019.
- 5.28 Gross profit margin from the monitoring segment has declined from 26% in the year ended 30 June 2018 to 12% in the six months to 31 December 2019. Management is in the process of a cost reduction review in order to extract synergies and improved margins from its newly acquired monitoring services.
- 5.29 Gross profit margin on protective services has improved from negative 10% in the year ended 30 June 2018 to 7% in the six months to 31 December 2019.
- 5.30 The gross profit on other services has gone from a margin of 38% in the year ended 30 June 2018 to (76%) in the six months to 31 December 2019. Management has advised that in recent years it has been extremely difficult to make sufficient margins on installation and upgrades of security systems.
- 5.31 On 27 June 2019 TPS disposed of its 42.95% investment in Security House Monitoring Pty Ltd.
- 5.32 Other income relates to income which is not derived from ordinary business operations and includes net fair value gains on financial instruments, net gains on disposal of investments, net gains on settlement of contingent consideration, recovery of bad debts and other income.
- 5.33 TPS recognised a loss in relation to expected credit losses on trade receivables in the two years ended 30 June 2019 and a gain for the six months ended 31 December 2019.
- 5.34 An impairment to goodwill was recognised through the profit and loss in the two years ended 30 June 2019. No impairment was recognised in the six months ended 31 December 2019.
- 5.35 Finance costs relate to interest payable on borrowings, lease liabilities and amortisation of capitalised borrowing costs using the effective interest method (where relevant).

## Financial position

5.36 The table below sets out a summary of the financial position of TPS as at 31 December 2019 and 30 June 2019.

**Table 5 TPS historical financial position**

A\$000's	Ref	31-Dec-19 Reviewed	30-Jun-19 Audited
<b>Current assets</b>			
Cash and cash equivalents	5.38	2,044	2,146
Trade and other receivables	5.39	3,068	2,482
Contract assets		279	216
Inventories		44	24
Other		447	361
<b>Total Current Assets</b>		<b>5,882</b>	<b>5,229</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss		192	155
Property, plant and equipment		981	893
Right-of-use assets		284	-
Intangibles	5.40	63,868	65,709
Other		148	173
<b>Total Non-Current Assets</b>		<b>65,473</b>	<b>66,930</b>
<b>Total Assets</b>		<b>71,355</b>	<b>72,159</b>
<b>Current liabilities</b>			
Trade and other payables	5.41	10,458	9,898
Contract liabilities		512	661
Borrowings	5.42	2,066	1,166
Lease liabilities		171	-
Provisions		1,207	1,494
<b>Total Current Liabilities</b>		<b>14,414</b>	<b>13,219</b>
<b>Non-current liabilities</b>			
Borrowings	5.42 & 5.43	41,596	41,238
Lease liabilities		234	-
Deferred tax liability		6,026	6,959
Provisions		318	328
<b>Total Non-Current Liabilities</b>		<b>48,174</b>	<b>48,525</b>
<b>Total Liabilities</b>		<b>62,588</b>	<b>61,744</b>
<b>Net Assets</b>	<b>5.37</b>	<b>8,767</b>	<b>10,415</b>
<b>Equity</b>			
Issued capital		39,363	33,981
Reserves		1,874	1,874
Accumulated losses		(32,470)	(25,440)
<b>Total Equity</b>		<b>8,767</b>	<b>10,415</b>

Source: Company

- 5.37 As at 31 December 2019 TPS had net assets of \$8.8 million, a decrease of \$1.65 million from 30 June 2019 being the net effect of operating losses for the six months and \$5.65 million of equity funding raised in the period. The net assets include \$63.9 million of intangible assets as at 31 December 2019.
- 5.38 The Company held \$2.0 million of cash on hand as at 31 December 2019. As per the March Quarterly Activity Report, cash on hand had declined to \$976,000 as at 31 March 2020.
- 5.39 Trade and other receivables primarily relate to trade receivables adjusted for expected credit losses.
- 5.40 The intangibles assets balance predominately relates to customer contracts acquired at a cost of \$46.0 million less accumulated amortisation and impairment, of which \$20.9 million relates to contracts acquired as part of the Onwatch acquisition. The intangible assets balance also includes goodwill at cost of \$30.7 million less accumulated impairment which primarily relates to the \$24 million of goodwill recognised on the acquisition of Onwatch. The intangible assets balance also includes development assets and intellectual property at cost less accumulated amortisation.
- 5.41 Current trade and other payables of \$10.5 million as at 31 December 2019 includes trade payables of \$2.1 million, deferred consideration on acquisitions of \$2.7 million and \$2.6 million payable to the Australian Taxation Office. We understand from Management that the \$1.5 million of contingent consideration on the acquisition of Onwatch will not become payable due to milestones not being achieved and other claims under the terms of the acquisition. The Company currently has various payment arrangements in place with the ATO.
- 5.42 Borrowings as at 31 December 2019 included \$36.9 million owing to Soliton through a secured note subscription maturing in February 2022, the funds of which were primarily used to facilitate the Onwatch acquisition. The Soliton facility is secured over the general property of the Group. The Soliton facility has a current interest rate of 11.5% (comprising 4% PIK, 1% BBSY and 6.5% cash margin) as at 31 December 2019. Interest under the Soliton facility is payable quarterly unless capitalised (other than PIK interest which is capitalised quarterly) with quarterly interest payments of c\$0.7 million payable. A 15% repayment premium applies on any repayments and principal repayments are due in FY20 of \$1 million and \$2 million in FY21. At the date of the interim financial statements, the Company confirmed compliance with all financial covenants under this facility; various covenants were renegotiated by TPS during the process of approving the Black Crane Loan Notes and the requirement for TPS to maintain liquidity of \$1.0 million at all times was also included.
- 5.43 Non-current borrowings also included \$8.5 million owing to First Samuel as at 31 December 2019 in an unsecured debt facility maturing in February 2022.

## Cash Flow

- 5.44 The table below sets out a summary of the cash flow statements of TPS for the two years ended 30 June 2019 and the six months ended 31 December 2019.
- 5.45 The operating cash flow in the six months to 31 December 2019 was impacted by business acquisition and integration costs associated with the acquisition of Onwatch. Operating cash flows were \$265,000 for the year ended 30 June 2019 before interest payments.
- 5.46 The Quarterly Activity Report for the quarter ended 31 March 2020 showed net cash flow from operating activities of \$97,000 before interest payments and \$284,000 of acquisition and integration costs.
- 5.47 The cash consideration for the acquisition of Onwatch comprised \$32.2 million and was primarily funded by borrowings from Soliton. In addition, 8 million Shares were issued to the vendors of Onwatch at \$0.25 per Share. An underwritten Rights Issue in April 2019 at \$0.25 per Share raised \$5.45 million to assist with transaction and integration expenses.

5.48 TPS issued 4,062,500 shares in October 2019 at \$0.16 per share to sophisticated investors, and also issued 31,250,000 shares at the same price to Black Crane in December 2019.

**Table 6 TPS historical cash flows**

A\$000's	Ref	Half year ended 31-Dec-19 Reviewed	Year ended 30-Jun-19 Audited	Year ended 30-Jun-18 Audited
<b>Cash flows from operating activities</b>				
Receipts from customers (inclusive of GST)		15,165	21,463	16,577
Payments for suppliers and employees (inclusive of GST)		(16,246)	(21,198)	(16,178)
	5.45	(1,081)	265	399
Interest received		1	8	24
Interest and other finance costs paid		(1,597)	(1,969)	(1,317)
Government grants received		-	-	772
<b>Net cash used in operating activities</b>		<b>(2,677)</b>	<b>(1,696)</b>	<b>(122)</b>
<b>Cash flows from investing activities</b>				
Payments for purchases of business, net of cash acquired	5.47	-	(33,359)	(9,671)
Payments for financial assets		(1)	(89)	(818)
Payments for property, plant and equipment		(266)	(95)	(335)
Payments for intangibles		(1,296)	(4,170)	(2,902)
Government grants received		-	926	790
Proceeds from disposal of financial assets		-	750	14
Proceeds from disposal of property, plant and equipment		-	-	8
Proceeds from disposal of intangibles		-	-	28
Distributions received from associate		-	77	-
<b>Net cash used in investing activities</b>		<b>(1,563)</b>	<b>(35,960)</b>	<b>(12,886)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares (net of transaction costs)	5.48	5,382	8,702	(4)
Proceeds from borrowings	5.47	-	54,679	16,276
Repayment of borrowings		(1,137)	(24,718)	(3,288)
Repayment of lease liabilities		(107)	-	-
<b>Net cash from financing activities</b>		<b>4,138</b>	<b>38,663</b>	<b>12,984</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(102)</b>	<b>1,007</b>	<b>(24)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,146</b>	<b>1,139</b>	<b>1,163</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>2,044</b>	<b>2,146</b>	<b>1,139</b>

Source: Company Financials

## Capital structure

5.49 TPS has 240,956,278 ordinary shares on issue. The top 20 shareholders of TPS as at 1 May 2020 are set out below.

**Table 7 TPS Top 20 shareholders**

Rank	Name	Total Units	% Issued Share Capital
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	73,116,649	30.34%
2	CITICORP NOMINEES PTY LIMITED (incl. Black Crane holding of 31.25m)	31,261,453	12.97%
3	PATNER PTY LTD	8,312,500	3.45%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,219,703	2.58%
5	LENALE HOLDINGS PTY LTD <MAURICE KELLY SF A/C>	6,000,000	2.49%
6	MMS1 PTY LTD <SHALL & HALL P/SHIP A/C>	5,580,907	2.32%
7	CINTELL PTY LTD	5,167,665	2.14%
8	SIREN NOMINEES PTY LTD	5,069,492	2.10%
9	MR JAMIE PHEROUS <BLACK DUCK HOLDINGS A/C>	5,000,000	2.08%
10	REDUN PTY LTD	4,450,000	1.85%
11	MS ALISON ELIZABETH HOWE	4,431,224	1.84%
12	MS CONCETTA FERRARA <FERRARA FAMILY A/C>	4,424,001	1.84%
13	MS MICHELLE PYNES <THE REN WA BUDO A/C>	4,285,163	1.78%
14	MS CHRISTINA MICHAEL MICHAEL <THE M AND A A/C>	4,260,142	1.77%
15	MR PETER ARISTIDE PYNES & MRS LARA OLIMPIA PYNES <PYNES SUPERANNUATION A/C>	4,257,221	1.77%
16	INVIA CUSTODIAN PTY LIMITED <KOSOVICH INVESTMENT A/C>	2,190,475	0.91%
17	MR PETER PYNES & MRS LARA PYNES <PYNES SUPER FUND A/C>	2,114,285	0.88%
18	WHITEHAVEN CAPITAL PTY LTD <WHITEHAVEN A/C>	2,000,000	0.83%
19	JAMES MCCREA & PAULEEN MCCREA <THE J & P A/C>	1,928,800	0.80%
20	SWEET NOMINEES PTY LTD <THE DAVID AND ANGELA SWEET FAMILY A/C>	1,839,200	0.76%
<b>Total Top 20 Shareholding</b>		<b>181,908,880</b>	<b>75.49%</b>
Others		59,047,398	24.51%
<b>Total Issued Capital</b>		<b>240,956,278</b>	<b>100.0%</b>

Source: Company

5.50 As at 1 May 2020 13,571,422 options over ordinary shares were on issue as outlined in the table below.

**Table 8 TPS Options on Issue**

Grant Date	Expiry Date	Exercise price (cents)	Number under option
26/11/2015	31/10/2020	33.95	2,142,856
26/11/2015	31/10/2020	26.60	1,428,570
26/11/2015	31/10/2020	32.69	1,428,570
26/11/2015	31/10/2020	35.77	1,428,570
23/11/2017	31/10/2020	33.95	7,142,856
			<b>13,571,422</b>

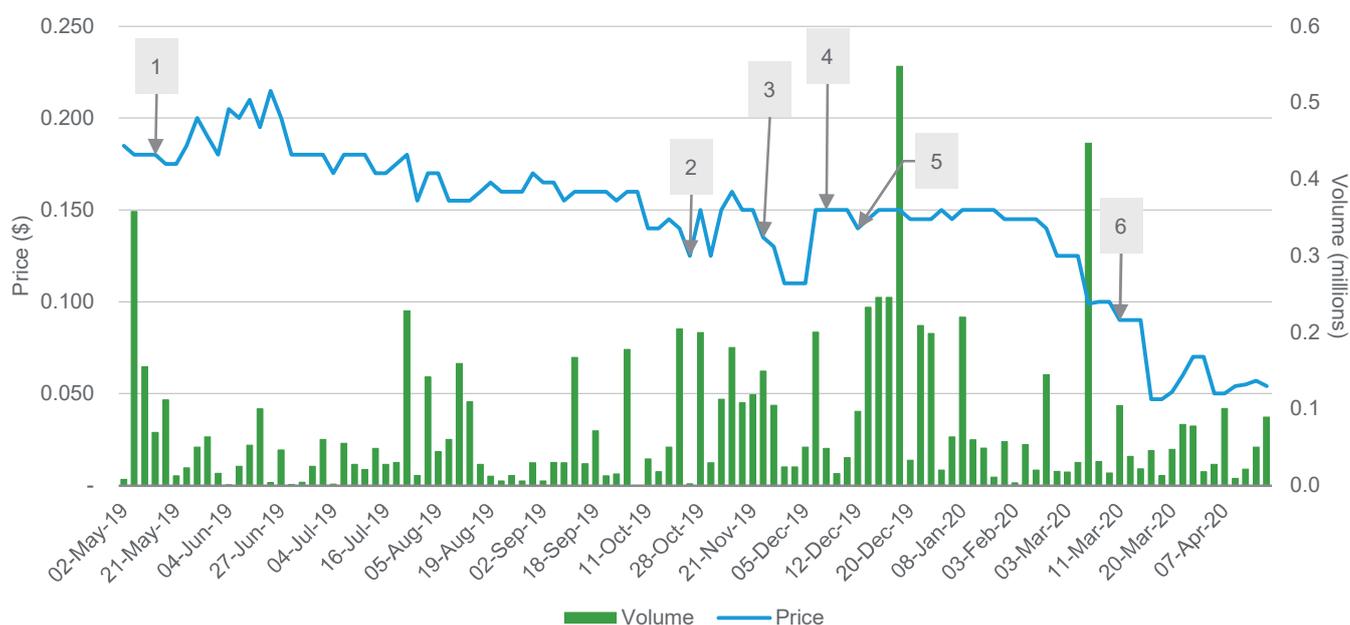
Source: Company

## Share price performance

5.51 The market capitalisation of TPS as at 13 May 2020 was \$14.7 million and the closing share price was \$0.061.

5.52 The figure below sets out a summary of TPS closing share prices and traded volumes for the 12 months to 13 May 2020.

**Figure 2 TPS daily closing share price and traded volumes**



Source: S&P Capital IQ/ ASX

5.53 In the 12 months period to 13 May 2020, TPS shares traded between \$0.21 and \$0.05 per share. During this period approximately 3% of the current shares on issue were traded suggesting the shares are highly illiquid.

5.54 The ASX All-Ordinaries index fell by over 35% in the period from 21 February 2020 to 23 March 2020, reflecting the global impact on stock markets of the COVID-19 pandemic. As at the date of this report, the Index is currently around 25% lower than the highs recorded in February 2020. This broader market volatility has contributed to the c65% fall in TPS' share price over the same period although we consider that investor concerns over the ongoing funding capacity of the Company has exacerbated the decline.

5.55 The most significant trading days have been noted in the chart above and analysed as follows:

**Table 9 TPS Significant trading days**

No.	Date	Comment
1	1-May-19	TPS announced that it had completed the acquisition of Onwatch Pty Ltd. The acquisition significantly expanded the Company's national presence, adding in excess of \$12m in annual recurring revenue and expected to increase monitoring revenue to \$24m per annum. The Company expected the acquisition to be immediately earnings per share accretive, and to positively contribute to TPS revenue and earnings.
2	31-Oct-19	TPS released its Appendix 4C quarterly review ending 30 September 2019 which reported positive operating cashflow of \$0.3m before budgeted integration costs of \$1.3m, year-on-year quarterly operating revenue increase of 58%, year-on-year monitoring revenue increase of 85.3%, and end of quarter cash at bank of \$1.4m.
3	28-Nov-19	TPS released the results of its AGM, issued a replacement constitution, and announced the successful completion of the closure of the Company's monitoring centre located in Aplington, Victoria. The centre, which was surplus to the requirements of TPS, was part of the acquisition of Onwatch Pty Ltd.
4	5-Dec-19	TPS announced that it had secured a new strategic investor, Black Crane Asia Pacific Opportunities Fund, a Hong Kong based investment fund who became a substantial shareholder in TPS. The Company issued fully paid ordinary shares to Black Crane to raise \$5m before costs. The placement funds will be used for working capital, and in conjunction with cashflows from operations to make further earnings accretive acquisitions over the coming months.
5	31-Dec-19	TPS announced the acquisition of two security monitoring client bases for cash consideration of \$1.9 million.
6	2-Mar-20	TPS announced that it had appointed a cost cutting committee. The purpose of the committee is to identify significant cost cutting measures that can be effected both in the short and medium term and, in conjunction with the Board and management, determine what staff changes may be implemented as part of the Company's cost cutting initiatives. The first initiative implemented is the deferral of the payment of Directors' fees for non-executive Directors, with effect from 1 March 2020.

Source: S&P Capital IQ and Company announcements

## 6. Profile of Black Crane

### Background

- 6.1 Black Crane is a Hong Kong based investment fund that manages a number of small and mid-cap investments. Black Crane has corporate finance expertise and aims to partner with the boards and management teams of its investments to create value for shareholders.
- 6.2 On 10 December 2019 Black Crane made an initial \$5,000,000 investment in TPS at an issue price of \$0.16 per share, resulting in a holding of 31,250,000 Shares. The ratification of the issue of these shares is being sought by the Company in Resolution 2 of the same Notice to approve the issue of Loan Notes to Black Crane (the subject of this report).
- 6.3 Peter Kennan is the CEO, CIO and ultimate shareholder of Black Crane's investment manager, Black Crane Investment Management ("BCIM"). BCIM is licensed by the Hong Kong Securities and Futures Commission for investment management (Type 9) and to advise on securities (Type 4). Prior to founding BCIM in 2009, Peter Kennan was a corporate financier with UBS Asia Pacific. He has 25 years of investment and corporate finance experience across a diverse range of sectors and transactions. With UBS, Peter was Head of Asian Industrials Group for UBS Asia, a corporate finance sector team covering energy, infrastructure, resources, consumer/retail and general industrial companies. Peter was also the Head of Telecoms and Media sector team for UBS Australia specialising in M&A, advising on many large, complex transactions. Peter is currently a Non-Executive Director of ASX listed MMA Offshore Limited.
- 6.4 Peter Kennan was appointed as a Director of TPS on 20 January 2020. BCIM has the ability to determine Black Crane's investment decisions and outcomes in relation to its financial and operating policies. Due to Peter Kennan's control of Black Crane and his position on the board of TPS, Black Crane became a related party of TPS on 20 January 2020.
- 6.5 Further information in relation to Black Crane can be found at <https://black-crane.com/>

## 7. Valuation approach

### Basis of evaluation

- 7.1 The valuation of TPS prior to and post the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

### Valuation methodologies

- 7.2 In assessing the Fair Market Value of an ordinary TPS Share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### *Market based methods*

- 7.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### *Income based methods*

- 7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

- 7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

#### *Asset based methods*

- 7.10 Asset based methodologies estimate the Fair Market Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs.

- 7.14 Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

### **Selection of valuation methodologies**

#### **Valuation of a TPS Share prior to the Proposed Transaction (control basis)**

- 7.15 In assessing the value of a TPS share prior to the proposed transaction, we have selected the following valuation methodologies:

- Capitalisation of future maintainable earnings methodology which estimates the value of a TPS share by valuing the enterprise and adjusting for any surplus assets and excess liabilities and net debt (primary method); and
- Quoted price of listed securities (secondary method).

- 7.16 We have adopted the capitalisation of future maintainable earnings methodology as our primary method for the following reasons:

- TPS has a history of normalised earnings (see normalised EBITDA in Table 14);
- We have been provided with high level financial forecasts prepared by TPS for the three years ending 30 June 2023. However, RG 111 states that an expert should not include prospective information (including forecasts and projections) or any other statements or assumptions about

future matters (together, 'forward-looking information') in its report unless there are reasonable grounds for the forward-looking information. In our opinion, the DCF methodology cannot be used as future revenue and expenses cannot be forecast with a sufficient degree of confidence to meet the reasonable grounds requirements of RG 111. In the absence of reliable cashflow forecasts, future maintainable earnings are an appropriate substitute for cashflows from operations;

- There are sufficient comparable trading companies to utilise for determination of an appropriate earnings multiple; and
- Earnings can be adjusted to reflect recent acquisitions and cost saving measures.

7.17 The value determined for a pre-transaction TPS share using the different methodologies outlined above incorporates a premium for control.

#### **Valuation of a TPS Share post the Proposed Transaction (non-control basis)**

7.18 In assessing the value of a TPS share post the Proposed Transaction, we have used the Pre-Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. In particular, we have made the following adjustments to the Pre-Proposed Transaction value:

- Include the impact of the Loan Notes; and
- Include dilution from the impact of any shares to be issued.

7.19 We have assessed the Post-Proposed Transaction value under two different scenarios:

- Scenario 1 – Assuming no conversion of the face value of the Loan Notes, interest and face value of the Loan Notes are repaid as and when they fall due; and
- Scenario 2 – Assuming full conversion of the Loan Notes and assuming all capitalised interest is also converted into equity.

7.20 We have assessed the value of an ordinary share in TPS immediately post the Proposed Transaction on a non-controlling basis by adjusting for a minority discount in accordance with RG 111.

## 8. Valuation of TPS prior to the Proposed Transaction

8.1 As stated at paragraph 7.15 we have assessed the value of a TPS share prior to the Proposed Transaction using the capitalisation of future maintainable earnings methodology as our primary method and the quoted prices of listed securities as our secondary method. In both valuations, we have included a premium for control.

### Primary valuation

8.2 We have assessed the value of a TPS Share on a control basis to be between \$0.043 and \$0.075 per Share (undiluted), prior to the Proposed Transaction, based on the capitalisation of future maintainable earnings valuation methodology, as summarised in the table below.

**Table 10 Assessed Fair Value of an Ordinary TPS Share**

\$000's	Ref	Low	High	Mid-point
Enterprise Value of TPS	8.24	54,600	62,400	58,500
Surplus assets/(excess liabilities)	8.28	-	-	-
Net debt	8.29	(44,304)	(44,304)	(44,304)
<b>Equity Value (control basis)</b>		<b>10,296</b>	<b>18,096</b>	<b>14,196</b>
Number of Shares on issue pre Proposed Transaction (000's)	5.49	240,956	240,956	240,956
<b>Value per share (\$A)</b>		<b>0.043</b>	<b>0.075</b>	<b>0.059</b>

Source: RSM Analysis

8.3 The capitalisation of future maintainable earnings methodology requires the determination of the following variables:

- Future maintainable earnings;
- a capitalisation multiple;
- a control premium;
- current level of net debt (cash less interest-bearing debt); and
- the value of any surplus assets and liabilities.

### *Determination of Future Maintainable Earnings*

8.4 Earnings are normalised to determine the underlying profitability expected to be maintained by TPS. We have adopted earnings before interest, tax, depreciation and amortisation ("EBITDA") as an appropriate measure of FME as multiples based on EBITDA are less sensitive to finance structures, effective tax rates and capital structures.

8.5 We have relied on the normalised earnings for the six months ended 31 December 2019 as TPS has changed significantly, predominantly from the acquisition of Onwatch in May 2019, and therefore prior year earnings are not considered representative of earnings expected to be maintained in the future.

8.6 We have made adjustments to EBITDA for the following material items:

- Non-recurring or one-off items;
- Non-operating revenues and expenses;

- Abnormal or non-commercial transactions; and
- Permanent changes in operations.

8.7 Our EBITDA normalisation adjustments are outlined in the table below:

**Table 11 Normalised EBITDA of TPS**

A\$000's	Half year ended 31-Dec-19 Reviewed
<b>Loss before income tax</b>	<b>(7,952)</b>
Add back: Depreciation and amortisation	4,627
Add back: Net interest and finance charges	3,988
<b>Unadjusted EBITDA</b>	<b>663</b>
<b>Normalisation Adjustments</b>	
Other income	(158)
Business acquisition and integration costs	2,494
Impairment of receivables	(150)
Leases (actual lease payments)	(111)
Run rate of monitoring clients acquired 31/12/19	300
Savings from closure of Alphington monitoring Centre (\$85,000 per month)	425
Savings from closure of Double Bay monitoring centre (\$50,000 per month)	300
Savings from redundancies	150
<b>Normalised EBITDA for the period</b>	<b>3,913</b>
<b>Normalised EBITDA (Annualised)</b>	<b>7,826</b>

Source: RSM Analysis

8.8 A detailed explanation of our normalisation adjustments is included in Appendix D.

8.9 Based on the above, we assess the future maintainable earnings of TPS to be \$7.8 million.

#### *Calculation and Estimation of Earnings Multiple*

8.10 The earnings multiple applied in a valuation based on maintainable earnings must reflect, as a minimum, the risks of the business, the future growth prospects of the business and the time value of money. Different multiples are used for application to different measures of earnings.

8.11 In selecting an appropriate capitalisation multiple to value TPS we have reviewed trading multiples of equities of companies which are listed on the Australian Securities Exchange ("ASX") and are operating in the same or similar industry sectors as TPS. Due to the specialised nature of TPS's operating activities we have also considered those listed companies who have similar operating activities, are exposed to similar end users or who have similar business risks.

8.12 A total of 11 comparable companies were identified, a summary of their financial data and business descriptions is included at Appendix B. The companies identified had market capitalisations of \$3 million to \$60 million. Of the 11 companies identified only two had information in relation to forecast earnings available and seven incurred an EBITDA loss in the year ended 30 June 2019, the four with positive EBITDA had earnings ranging from \$14.75 million to \$0.36 million.

- 8.13 The table below sets out the implied EV/EBITDA multiples of the comparable companies, which is based on the EV of the companies at 15 April 2020, historical EBITDA for the year ended 30 June 2019 and forecast EBITDA for the current financial year.

**Table 12 Comparable companies**

Company	Market Cap \$m	TEV (\$m)	FY2019		FY2020	
			EBITDA (\$m)	EV/EBITDA	EBITDA (\$m)	EV/EBITDA
Ava Risk Group Limited	26	24	(2.36)	(9.95)	-	-
CTI Logistics Limited	41	150	14.75	10.15	24.20	6.19
DTI Group Limited	9	6	(5.36)	(1.09)	-	-
Hills Limited	46	83	(7.35)	(11.27)	-	-
Kollakorn Corporation Limited	4	4	(1.17)	(3.04)	-	-
MCS Services Limited	3	3	0.36	7.63	-	-
Millennium Services Group Limited	14	54	(4.31)	(12.46)	-	-
PS&C Limited	8	6	4.00	1.44	-	-
Redflex Holdings Limited	60	69	6.10	11.36	12.20	5.68
Spectur Limited	6	4	(2.17)	(1.86)	-	-
TZ Limited	4	14	(3.26)	(4.42)	-	-
<b>Average (excl FY19 negative earnings)</b>			<b>6.30</b>	<b>7.64</b>	<b>18.20</b>	<b>5.93</b>
<b>Median (excl FY19 negative earnings)</b>				<b>8.89</b>		<b>5.93</b>

Source: S&P Capital IQ

- 8.14 We are of the opinion that Ava Risk Group, CTI Logistics, MSC Services Limited and Millennium Services Group Limited comprise operations which are most comparable to those of TPS. However, some of these companies have diverse operations and only one segment of their business is comparable to that of TPS, whilst others do not offer a monitoring service which underpins the recurring revenue business model of TPS. Of the most comparable companies listed only two had positive earnings for the year ended 30 June 2019. We have therefore based our assessment of the earnings multiple on the broader comparable company group.
- 8.15 The average EV/EBITDA multiple of the 11 comparable companies above with positive earnings was 7.64 times for the year ended 30 June 2019 and 5.93 times for the current financial year forecast. The median for these companies was 8.89 times for the year ended 30 June 2019 and 5.93 for the current year forecast.
- 8.16 Our assessment of future maintainable earnings of TPS is based on current year earnings adjusted for acquisition run-rates and cost savings from recent operational restructures. Therefore, we have adopted a comparable companies EBITDA multiple based on current year data in the range of 5.7 times to 6.2 times.
- 8.17 We note that share prices of listed companies represent the market value of a non-controlling interest in those companies. Therefore, the earnings multiples derived from those share prices are non-controlling multiples and are required to be adjusted to reflect a premium for control.
- 8.18 An acquirer can be expected to pay a premium to obtain control of a business due to the advantages an acquirer will receive including the following:
- access to potential synergies;
  - control over decision making and strategic direction;
  - access to underlying cash flows;
  - control over dividend policies; and
  - access to potential tax losses.

- 8.19 In order to calculate the value of 100% of the Company it is necessary to adjust the multiple to reflect a premium for control. RSM has conducted a study of 463 takeovers and schemes of arrangements involving companies listed on the Australian Securities Exchange over the 11 years ended 30 June 2016. In determining the control premium, the offer price was compared to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, the closing share price of the acquiring company on the day prior to the date of the offer was used.
- 8.20 This study concluded that on average control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 25% to 30%.
- 8.21 After consideration of the above factors we have concluded that an appropriate EBITDA multiple for the capitalisation of the maintainable earnings of TPS is in the range 7.0 to 8.0 times, as set out in the table below:

**Table 13 Capitalisation Multiple**

	Low	High
EBITDA multiple for comparable listed companies	5.70	6.20
Control premium (25% to 30%)	1.43	1.86
<b>Assessed EBITDA multiple</b>	<b>7.13</b>	<b>8.06</b>
<b>Say</b>	<b>7.0x</b>	<b>8.0x</b>

Source: S&P Capital IQ & RSM Analysis

- 8.22 We have crossed checked our EBITDA multiple to comparable market transactions, however the only transaction with publicly available information relating to security monitoring businesses is the TPS acquisition of Onwatch. This transaction was reported to be undertaken on an EBITDA multiple of 8.3x and a recurring revenue multiple of 3.4x.
- 8.23 We do not consider this transaction to be an ideal reference point given it involves the subject company as acquirer, but note that the EBITDA multiple sits slightly above our adopted multiple range which we consider reasonable given the current economic conditions arising from the COVID-19 pandemic and perceived strategic value for TPS to scale its operations through the acquisition of Onwatch.

### *Valuation of TPS based on Capitalisation of FME*

- 8.24 On the basis of the above, we have valued the enterprise of TPS in the range of \$54.6 million and \$62.4 million with a mid-point valuation of \$58.5 million, as illustrated in the table below.

**Table 14 Enterprise Value**

\$000's	Low	High	Mid-point
Maintainable Earnings	7,800	7,800	7,800
Assessed Multiple	7.00	8.00	7.50
<b>Enterprise Value</b>	<b>54,600</b>	<b>62,400</b>	<b>58,500</b>

Source: RSM Analysis

- 8.25 To convert the enterprise value of TPS into an equity value, the following must also be considered:
- Deducting all net debt (total borrowing less cash); and
  - Adding any surplus assets or deducting liabilities which are not considered to be core to ordinary business activities.

8.26 The assessed equity value of TPS is outlined in the table below:

**Table 15 TPS Value per share Pre-Proposed Transaction**

\$000's	Ref	Low	High	Mid-point
Enterprise Value of TPS	8.24	54,600	62,400	59,500
Surplus assets/(excess liabilities)	8.28	-	-	-
Net debt	8.29	(44,304)	(44,304)	(44,304)
<b>Equity Value (control basis)</b>		<b>10,296</b>	<b>18,096</b>	<b>14,196</b>
Number of Shares on issue pre Proposed Transaction (000's)	5.49	240,956	240,956	240,956
<b>Value per share (\$A)</b>		<b>0.043</b>	<b>0.075</b>	<b>0.059</b>

Source: RSM Analysis

8.27 Based on the table above a share in TPS has a value between \$0.043 and \$0.075 prior to the Proposed Transaction.

8.28 We have not identified any surplus assets or excess liabilities that require adjustment.

8.29 We have calculated net debt to be \$44.30 million as at 31 March 2020, as follows:

**Table 16 Net Debt of TPS for valuation**

\$000's	Ref	
Cash	8.30	976
Funds from Loan Notes (net of 7% structuring fee)	8.32	6,045
Principal reduction of Soliton debt	8.32	(1,500)
<b>Total cash</b>		<b>5,521</b>
Borrowings	8.31	(44,825)
Add: Loan Notes	8.32	(6,500)
Less: Repayment of Soliton	8.32	1,500
<b>Total debt</b>		<b>(49,825)</b>
<b>Net debt</b>		<b>(44,304)</b>

Source: RSM Analysis

8.30 We have included cash on hand as at 31 March 2020 as per the Quarterly Activity Report for the Quarter ended 31 March 2020 of TPS.

8.31 We have included borrowings as at 31 March 2020 as per the Financing Activities disclosure included in the Quarterly Activity Report for the Quarter ended 31 March 2020 of TPS.

8.32 We have adjusted for the issue of the \$6.5 million Loan Notes to Black Crane and receipt of funds as announced on 15 April 2020, net of the 7% structuring fee. We understand that \$1.5 million of these funds are to be applied to a principal reduction of the Soliton debt, reducing both cash and borrowings.

## Quoted price of listed securities (secondary method)

8.33 In order to provide a comparison and cross check to our valuation of TPS using the capitalisation of future maintainable earnings methodology prior to the Proposed Transaction, we have considered the recent quoted market price for TPS shares on the ASX prior to the announcement of the Proposed Transaction.

### Analysis of recent trading in TPS Shares

8.34 The figure below sets out a summary of the closing Share price and volume of TPS Shares traded in the 12 months to 9 April 2020, being the last day TPS shares were traded prior to the announcement of the Proposed Transaction.

**Figure 3 TPS daily closing Share price and traded volumes**



Source: S&P Capital IQ/ ASX

8.35 During the 12-month period prior to the announcement of the Proposed Transaction, TPS shares traded between \$0.047 and \$0.215. On 7 April 2020, the closing share price was \$0.054.

8.36 With the exception of a single day in April 2019, the maximum number of shares traded on an individual day was 550,000. In total, only 2.71% of TPS shares were traded over the 12-month period which indicates a low level of liquidity.

8.37 To provide further analysis of the quoted market prices for TPS's Shares, we have considered the VWAP over a number of trading day periods ending 7 April 2020. An analysis of the volume in trading in TPS's Shares for the 1, 10, 30, 60, 90, 180 and 360 day trading periods is set out in the table below:

**Table 17 Traded volumes of TPS Shares to 7 April 2020**

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
<b>VWAP</b>	<b>0.054</b>	<b>0.050</b>	<b>0.050</b>	<b>0.083</b>	<b>0.097</b>	<b>0.119</b>	<b>0.124</b>	<b>0.131</b>
Total volume (000's)	9.1	109.8	137.2	1,142.9	1,481.7	4,053.9	5,264.2	6,526.5
Total volume as a % of total shares	0.00%	0.05%	0.06%	0.47%	0.61%	1.68%	2.18%	2.71%
Low price	0.054	0.050	0.050	0.047	0.047	0.047	0.047	0.047
High price	0.054	0.054	0.054	0.125	0.150	0.160	0.160	0.170

Source: S&P Capital IQ

## Value of TPS Share on a non-control minority basis

8.38 In our opinion, the weighted average share price of TPS over the last 30 days is reflective of the underlying value of a TPS Share. As such, we consider a range of values of between \$0.050 and \$0.083 (range over 1 to 30 day VWAP periods) reflects the quoted market price valuation of a TPS Share on a minority basis prior to the Proposed Transaction.

## Value of a TPS Share on a control basis

8.39 Our valuation of a TPS Share, on the basis of the recent quoted market price including a premium for control is between \$0.063 and \$0.108, as summarised in the table below.

**Table 18 Assessed value of an ordinary TPS Share – quoted price of listed securities**

\$	Ref	Low	High	Mid-point
Quoted market price	8.39	0.050	0.083	0.067
Premium for control (25% to 30%)	8.42	25%	30%	27.5%
<b>Quoted market price - controlling value</b>		<b>0.063</b>	<b>0.108</b>	<b>0.085</b>

Source: RSM Analysis

## Key assumptions

### *Control Premium*

8.40 The value derived at paragraph 8.39 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of TPS. RG 111.11 states that when considering the value of a company's Shares the expert should consider a premium for control. If the Proposed Transaction is successful, Black Crane has the potential to hold a maximum interest of 33.89% in TPS. Therefore, as explained in Section 4, our assessment of the Fair Value of an ordinary Share in TPS must include a premium for control.

8.41 RSM has conducted a study on 463 takeovers and schemes of arrangements involving companies listed on the ASX over the 11 years ended 30 June 2016<sup>1</sup>. In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the date prior to the date of the offer.

8.42 In valuing an ordinary TPS Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 30%, consistent with the findings in our study.

<sup>1</sup> RSM Control Premium Study 2017

## Valuation summary and conclusion

8.43 A summary of our assessed values of an ordinary TPS Share on a control basis prior to the Proposed Transaction, derived under the two methodologies, is set out in the table below.

**Table 19 TPS Share valuation summary**

\$000's	Ref	Low	High	Mid-point
Capitalisation of earnings	8.27	0.043	0.075	0.059
Quoted market price	8.39	0.063	0.108	0.085
<b>Preferred value of a Share pre-Proposed Transaction</b>		<b>0.043</b>	<b>0.075</b>	<b>0.059</b>

Source: RSM Analysis

8.44 In our opinion, we consider that the capitalisation of earnings valuation methodology provides a better indicator of the Fair Value of a TPS Share given the low level of liquid trading in TPS Shares. We consider that the characteristics of a liquid market for shares includes the following indicators:

- Regular trading in securities;
- Average of 1% of total shares traded on a weekly basis; and
- Spread of ownership (i.e. Top 10 shareholders do not control more than 50%).

8.45 Trading in TPS shares does not display any of the above characteristics, noting that the Top 10 shareholders hold 62% of the issued share capital, therefore we do not consider that the market is deep enough to rely on for valuation purposes.

8.46 We note that our assessed value of a TPS Share using the capitalisation of earnings methodology, spans across the bottom end of the quoted market price range.

8.47 Therefore, in our opinion, the Fair Market Value of a TPS Share prior to the Proposed Transaction is between \$0.043 and \$0.075 on a controlling, undiluted basis.

## 9. Valuation of TPS after the Proposed Transaction

9.1 In determining the fair market value of a TPS Share after the Proposed Transaction using the sum of parts basis, we have taken the fair market value of TPS prior to the Proposed Transaction and reflected the impact of the Proposed Transactions in two separate scenarios:

- Scenario 1 – assuming the Loan Notes are not converted, reflecting the debt and embedded derivative arising from the notes, and deducting a minority interest; and
- Scenario 2 – assuming the Loan Notes are converted at maturity, all capitalised interest is converted into equity, and deducting a minority interest.

9.2 Based on our analysis we consider that the minority value of a TPS Share post the Proposed Transaction is in the range of \$0.032 and \$0.062 on an undiluted basis.

**Table 20 Assessed value of TPS post the Proposed Transaction**

Value of a TPS Share Post Proposed Transaction	Ref	Low	High	Mid-point
Assuming the Notes are not converted	Table 21	0.032	0.058	0.045
Assuming the Notes and capitalised interest are converted	Table 22	0.041	0.062	0.052
<b>Range of values</b>		<b>0.032</b>	<b>0.062</b>	<b>0.047</b>

Source: RSM Analysis

### Scenario 1 Valuation – No Conversion

9.3 Our assessed value of TPS following the Proposed Transaction but prior to conversion of the Loan Notes is set out in the table below.

**Table 21 Valuation of TPS shares post Proposed Transaction – Scenario 1 (no conversion)**

\$'000s	Ref	Low Value	High Value
Sum of parts value of the Company pre Proposed Transaction	Table 15	10,296	18,096
Restatement of existing Loan Notes liability	9.4	6,500	6,500
Debt component on Loan Notes	9.5	(5,291)	(3,939)
<b>Fair value of TPS post the Proposed Transaction on a control basis</b>		<b>11,505</b>	<b>20,657</b>
Minority discount (20% to 23%)	9.11	(2,646)	(4,131)
Value of TPS post the Proposed Transaction on a minority basis		<b>8,859</b>	<b>16,526</b>
Adjustment for embedded call option on Loan Notes	9.5	(1,209)	(2,561)
<b>Adjusted value of TPS post the Proposed Transaction</b>		<b>7,650</b>	<b>13,965</b>
Number of TPS shares on issue pre conversion of the Loan Notes (000's)	5.49	240,956	240,956
<b>Fair Value of a TPS share on a minority basis, post the Proposed Transaction (A\$)</b>		<b>0.032</b>	<b>0.058</b>

Source: RSM Analysis

9.4 If the Proposed Transaction is approved then the \$6.5 million of Loan Notes will be convertible Loan Notes. In order to assess the impact of this change on the value of a TPS share assuming the Loan Notes are not converted, we have considered the presentation of the Loan Notes on the Statement of Financial Position. Accounting standards require that, when Loan Notes convert to a variable number of shares, that the embedded option in the Loan Notes is valued and the difference between the face value of the Loan Notes and the embedded option is considered to be the value of the debt portion of the Loan Notes.

- 9.5 In order to calculate the value of the embedded option included in the Loan Notes, we used the Binomial option pricing model. The Binomial option pricing model resulted in a range of values of between \$1.21 million and \$2.56 million for the embedded option in the Loan Notes, assuming 65 million shares are issued on conversion of the Notes (based on a \$0.10 conversion price).
- 9.6 We have used the following assumptions when calculating the value of the embedded option:
- Spot price – we have assumed the spot price to reflect our low and high prices as set out in paragraph 8.39 (before control premium). This results in a spot price of between \$0.050 and \$0.083.
  - Exercise price – the conversion price of the Loan Notes is assumed to be \$0.10.
  - Vesting period – the Loan Notes have a conversion period of three years.
  - Expected future volatility – we have applied a volatility rate of 81.5% for our option valuation based on our assessment of the expected volatility of TPS over a 3-year term.
  - Risk free rate – we have determined this based on the yields of Commonwealth bonds using a three year bond, being the period which most closely correspond to the life of the Loan Notes. A three year bond yielded 0.26% in April 2020.
  - Dividend Yield – We have assumed a 0% dividend yield for TPS as it does not have a history of paying dividends and we do not expect any dividends to be paid over the vesting period.
- 9.7 We have calculated the debt component of the Notes as the difference between the embedded option value in the Loan Notes and the face value of the Loan Notes.

## Scenario 2 – Full Conversion

- 9.8 Scenario 2 provides an assessed value of TPS following the Proposed Transaction assuming the Loan Notes and all capitalised interest are converted to equity at a conversion price of \$0.10 per Share on the maturity date, as set out in the table below.

**Table 22 Valuation of TPS Share post the Proposed Transaction – Scenario 2 (full conversion)**

\$000's	Ref	Low Value	High Value
Sum of parts value of TPS pre Proposed Transaction	Table 15	10,296	18,096
Debt eliminated on conversion of Loan Notes	9.9	6,500	6,500
<b>Fair value of the Company post the Proposed Transaction on a control basis</b>		<b>16,796</b>	<b>24,596</b>
Minority discount (20% to 23%)	9.11	(3,863)	(4,919)
<b>Fair value of TPS post the Proposed Transaction on a minority basis</b>		<b>12,933</b>	<b>19,677</b>
Existing number of shares on issue (000's)	5.49	240,956	240,956
Shares issued upon conversion of the Loan Notes (000's)	Table 2	76,250	76,250
<b>Fair Value of a TPS share on a minority basis, post the Proposed Transaction</b>		<b>0.041</b>	<b>0.062</b>

Source: RSM Analysis

- 9.9 Under our Scenario 2 valuation, we assume that the face value and capitalised interest of the Loan Notes is converted to equity. This means that \$6.5 million is reduced from debt on the balance sheet and the shares that are issued upon conversion of the Loan Notes are included in the capital structure.
- 9.10 As noted in Table 2, we have estimated that 76.25 million shares will be issued upon conversion of the face value and capitalised interest on the Loan Notes at the maturity date.

### *Minority Discount*

- 9.11 In selecting a minority discount we have given consideration to our control premium applied in paragraph 8.42, where we established a range for a control premium of between 25% and 30%. The resulting corresponding minority discount range based on said control premiums is between 20% and 23%.

### *Options on Issue*

- 9.12 We have not considered the impact of existing options on issue in TPS as the associated exercise prices range from \$0.26 to \$0.35 per share which is materially in excess of our assessed Fair Market Value of a TPS Share and therefore are unlikely to be exercised.

## 10. Is the Proposed Transaction Fair to TPS Shareholders?

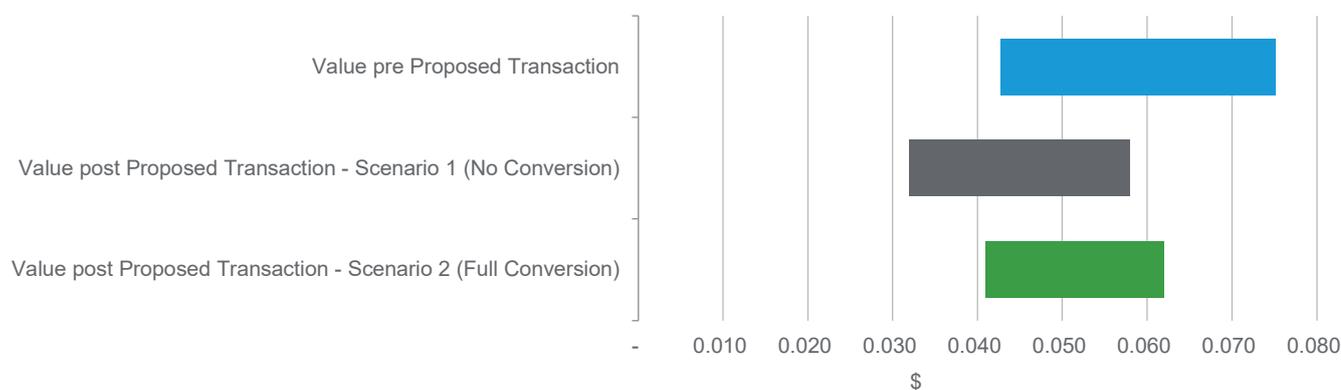
10.1 Our assessed values of a TPS Share prior to and after the Proposed Transaction are summarised in the table and figure below.

**Table 23 Assessed values of a TPS Share pre and post the Proposed Transaction**

Assessment of fairness A\$	Value			
	Ref	Low	High	Mid-point
Fair value of a TPS Share pre the Proposed Transaction	8.47	0.043	0.075	0.059
Fair value of a TPS Share post the Proposed Transaction - Scenario 1	9.3	0.032	0.058	0.045
Fair value of a TPS Share post the Proposed Transaction - Scenario 2	9.8	0.041	0.062	0.051

Source: RSM Analysis

**Figure 4 TPS Share valuation graphical representation**



Source: RSM analysis

10.2 The chart above indicates that the ranges of undiluted values post the Proposed Transaction on a minority basis are less than the range of undiluted values prior to the Proposed Transaction on a control basis. We note that the assessed range of values assuming full conversion of the Convertible Loan Notes (Scenario 2) is more comparable to the range of values prior to the Proposed Transaction, sitting at the lower end of the pre Proposed Transaction range.

10.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with s611 of the Act, we consider the Proposed Transaction **not fair** to the Non-Associated Shareholders of TPS.

## 11. Is the Proposed Transaction Reasonable to Shareholders?

11.1 RG 111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of TPS if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

### Future prospects of TPS if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction is not approved then the Company will be required to repay the existing \$6.5 million of Loan Notes to Black Crane within 90 days of the shareholder vote, as the Company would be in default under the Loan Note Deed.

11.3 TPS does not currently have the capacity to repay this debt and therefore the Directors would be required to raise sufficient capital either through debt or equity. There is no guarantee that the Company will be able to secure such additional funding or be able to secure such funding on favourable terms for the Company, particularly given the current global economic conditions caused by the COVID-19 pandemic.

11.4 We note the material uncertainty in the latest financial statements of the Group regarding its ability to continue trading as a going concern without securing additional funding. The Group secured the \$6.5 million of Loan Notes from Black Crane to assist with working capital requirements after approaching various external and internal parties to gauge appetite for providing funding.

11.5 If further equity funding were required to be sought by TPS, the impact would dilute shareholdings of existing Shareholders and would likely be at a significantly lower issue price than the previous issues at \$0.16 per Share in October and December 2019 given the current traded share price of TPS and global volatility arising from COVID-19. Any alternative debt funding would require the approval of Soliton and First Samuel, may involve restrictions on operating activities and may not be achievable on favourable terms given the tightening of debt markets in the global economic slowdown caused by COVID-19.

11.6 If the Company is unable to obtain the capital through debt or equity as required, the Company may be required to divest assets and therefore reduce the scope of its operations and business.

### Other Factors

11.7 RG 111 guides Independent Experts to assess the fairness of a control transaction under Item 7 of s611 as if it was a takeover bid. Accordingly, our assessment of fairness of the Proposed Transaction has compared the value of a TPS Share prior to the Proposed Transaction on a controlling basis, with the value of a TPS Share after the Proposed Transaction on a minority basis by applying a 20% to 23% minority discount.

11.8 The Conversion Price of the Black Crane Loan Notes is \$0.10 (assuming no other shares are issued in TPS prior to the Maturity Date) which is higher than our assessed range of values for a TPS Share prior to the Proposed Transaction. It follows that conversion of the Loan Notes would be value accretive to TPS Shareholders if all else remained constant.

11.9 To illustrate this, the analysis below shows our assessed values of a TPS Share prior to and post the Proposed Transaction on a consistent basis, by adjusting our assessed value of a TPS Share prior to the Proposed Transaction to also reflect a 20% to 23% minority discount.

**Table 24 Illustrative values of a TPS Share pre and post the Proposed Transaction on a minority basis**

A\$	Low	Value High	Mid-point
Value of a TPS Share pre the Proposed Transaction ( <b>minority basis</b> - after applying a minority discount of 20% to 23%)	0.033	0.060	0.046
Value of a TPS Share post the Proposed Transaction - Scenario 1 (No Conversion)	0.032	0.058	0.045
Value of a TPS Share post the Proposed Transaction - Scenario 2 (Full Conversion)	0.041	0.062	0.051

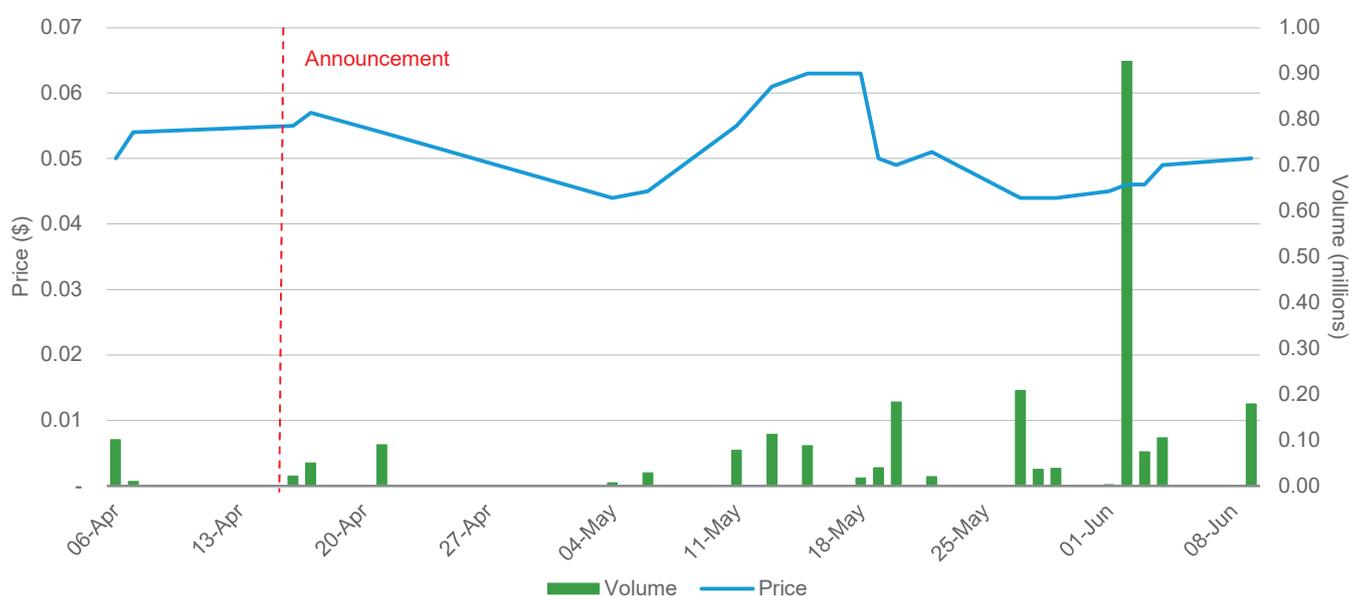
Source: RSM Analysis

11.10 The table above shows that the assessed value of a TPS Share after the Proposed Transaction and assuming full conversion of the Loan Notes (Scenario 2) is higher than the value prior when presented on a consistent basis, as a result of the accretive value inherent in the \$0.10 Conversion Price.

### Trading in TPS shares following the announcement of the Proposed Transaction

11.11 As shown in the graph below, trading in TPS shares has not been significant following the announcement of the Proposed Transaction and the closing share price has remained relatively steady from \$0.054 the day prior, to \$0.050 as at 12 June 2020. Given the low level of trading volumes on most days, we do not consider that any meaningful conclusions can be drawn from this data.

**Figure 5 TPS Share trading after announcement**



Source: Cap IQ

## Advantages and disadvantages

11.12 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

### Advantages of approving the Proposed Transaction

11.13 The key advantages of approving the Proposed Transaction are:

Advantage	Details
Ability to continue operations as a going concern	The auditor of TPS included an emphasis of matter with regard to the Company's ability to operate as a going concern in their unqualified review opinion of the financial statements for the half year ended 31 December 2019. The ability of TPS to remain a going concern and continue operational activities was stated to be dependent on securing additional funding. The \$6.5 million of Loan Notes funding was obtained by the Company in April 2020 with the approval of its other financiers, after the Board undertook a process of approaching external and internal parties to gauge appetite for providing funding.
Not trigger repayment of Loan Notes	If Shareholder approval to issue the Loan Notes is not obtained, TPS is required to repay to Black Crane the full face value of \$6,500,000 within 90 days. TPS does not currently have the capacity to repay this debt.
Reduction of existing debt facilities and associated interest payments	TPS can apply the funds from the Loan Notes to reduce the Soliton debt by \$1.5 million resulting in a net interest cost saving of \$90,000 per annum.
Preservation of cash reserves	If Black Crane elects to convert, the issue of ordinary shares to Black Crane on the conversion of the Loan Notes and any accrued interest will preserve TPS' cash reserves. Even if Black Crane does not exercise the conversion option, TPS will not be required to repay the Loan Notes (and accrued interest) until April 2023 if Shareholder approval is obtained for the Proposed Transaction.
Conversion price is higher than assessed share value range	The stated conversion price of \$0.10 for the Black Crane Loan Notes is greater than our assessed range of values for a TPS Share and at a significant premium to the current traded share price of approximately \$0.05. If TPS were to raise an equivalent amount of funding through equity in the current market, it would likely be at a discount to the current share price which would result in greater dilution to the Non-Associated Shareholders.

### Disadvantages of approving the Proposed Transaction

11.14 The key disadvantages of approving the Proposed Transaction are:

Disadvantage	Details
The Proposed Transaction is not fair	The Proposed Transaction is not fair to the Non-Associated Shareholders.
Dilution of voting power	Upon conversion of the Loan Notes the existing Non-Associated Shareholders will have their voting power diluted, reducing their ability to influence decisions such as composition of the Board and the acquisition and disposal of assets.
Significant influence of Black Crane	Upon conversion of the Loan Notes, Black Crane may hold up to 33.89% of the voting power of TPS. Black Crane and its associates will have a significant influence and the ability to block compulsory acquisitions and special resolutions of the Company.

## Alternative proposal

11.15 The directors undertook a review of funding options prior to the issue of the Black Crane Loan Notes, with other options either not progressing or not being in the best interests of shareholders. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of TPS greater benefit than the Proposed Transaction.

## Conclusion on Reasonableness

11.16 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of TPS.

11.17 An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**

**Nadine Marke**



Director

**Justin Audcent**



Director



## APPENDICES

## A. DECLARATIONS AND DISCLAIMERS

### **Declarations and Disclosures**

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which it is licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### **Qualifications**

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Nadine Marke and Justin Audcent are directors of RSM Corporate Australia Pty Ltd. Both Ms Marke and Mr Audcent are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### **Reliance on this Report**

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### **Reliance on Information**

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Threat Protect Australia Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### **Disclosure of Interest**

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Ms Marke, Mr Audcent, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd is expected to receive a fee of approximately \$25,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Threat Protect Australia Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

### **Consents**

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for TPS for the years ended 30 June 2018 and 30 June 2019;
- Reviewed financial statements for TPS for the six months ended 31 December 2019;
- Management prepared financial statements for nine months ended 31 March 2020;
- Management prepared forecast for the three years ending 30 June 2022;
- Executed unsecured loan note deed between TPS and Black Crane;
- Executed variation to unsecured loan note deed between TPS and Black Crane;
- Impairment assessment memorandum for the year ended 30 June 2019;
- Directors minutes of TPS in relation to the Proposed Transaction;
- Shareholding registry of TPS as at 1 May 2020;
- IBISWorld Industry Report 07712 Investigation and Security Services in Australia issued in October 2019;
- ASX announcements of TPS;
- S&P Capital IQ database; and
- Discussions with Directors and Management of TPS.

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
ACFA	Australian Financial Complaints Authority
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX Listing Rules	The listing rules of the Australian Securities Exchange as amended from time to time
Black Crane	Black Crane Asia Pacific Opportunities Fund
Company	Threat Protect Australia Limited
Control basis	As assessment of the Fair Market Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSG	Financial Services Guide
IER	This Independent Expert Report
Loan Note	Loan Notes issued by the Company to Black Crane which, subject to approval of the Proposed Transaction, will have a conversion right
Loan Note Deed	Loan Note Deed agreed on 14 April 2020 and subsequently varied on 22 June 2020, between Black Crane and the Company
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transaction	Approval of conversion rights under the Loan Notes issued to Black Crane
Report	This Independent Expert's Report prepared by RSM dated 23 June 2020
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of financial information
Share or TPS Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of a Share
TPS	Threat Protect Australia Limited
VWAP	Volume weighted average share price

## D. NORMALISATION OF EARNINGS ADJUSTMENTS

Our EBITDA normalisation adjustments are outlined in the table below:

**Table 25 Normalised EBITDA of TPS**

A\$000's	Ref	Half year ended	12 months ended	Year ended
		31-Dec-19 Reviewed	31-Dec-19 Unaudited	30-Jun-19 Audited
<b>Loss before income tax expense</b>		<b>(7,952)</b>	<b>(16,060)</b>	<b>(13,558)</b>
Add back: Depreciation and amortisation		4,627	8,098	4,958
Add back: Net interest and finance charges		3,988	5,980	2,812
<b>Unadjusted EBITDA</b>		<b>663</b>	<b>(1,982)</b>	<b>(5,788)</b>
<b>Normalisation Adjustments</b>				
Other income	1	(158)	(527)	(883)
Share of profits of associates accounted for using the equity method	2	-	(41)	(82)
Business acquisition and integration costs	3	2,494	5,636	3,878
Share-based payments	4	-	227	227
Impairment of assets	5	-	5,236	5,236
Impairment of receivables	5	(150)	1	200
Leases (actual lease payments)	6	(111)	(111)	-
Run rate of monitoring clients acquired 31/12/19	7	300	600	600
Savings from closure of Alphington monitoring centre (\$85,000 pm)	8	425	595	170
Savings from closure of Double Bay monitoring centre (\$50,000 pm)	8	300	400	100
Savings from redundancies	9	150	300	300
<b>Normalised EBITDA for the period</b>		<b>3,913</b>	<b>10,334</b>	<b>3,958</b>
<b>Normalised EBITDA (Annualised)</b>		<b>7,826</b>	<b>10,334</b>	<b>3,958</b>

Source: RSM Analysis

### *Adjustment 1 – Other income*

We have added back other income as it has not been derived from the ordinary business activities of TPS and predominantly relates to gains on investments, contingent consideration previously recognised and fair value adjustments which do not represent cash items.

### *Adjustment 2 – Share of profits of associates accounted for using the equity method*

TPS disposed of its 42.95% investment in Security House Monitoring Pty Ltd on 27 June 2019. Therefore we have deducted the profits associated with the investment as they will not be generated subsequent to the disposal.

### *Adjustment 3 – Business Acquisition and Integration Costs*

The business acquisition and integration costs are not an ordinary operating expense of TPS. They have arisen after acquiring significant business assets and are not expected to be incurred once the integration has been completed, therefore they have been added back to EBITDA.

#### *Adjustment 4 – Share based payments*

We had added back to EBITDA the share-based payments of TPS as these are non-cash expenses.

#### *Adjustment 5 – Impairment of Assets and Receivables*

Impairment charges are non-cash items and not considered to be a normal operating expense, therefore they have been added back to EBITDA.

#### *Adjustment 6 – Adoption of AASB 16 ‘Leases’*

The adoption of AASB 15 ‘Leases’ resulted in the current loss before income tax expense increasing by \$10,000 in the six months ended 31 December 2019. This included an increased depreciation and amortisation expense of \$96,000 and increased finance costs of \$25,000, offset by a reduction in other expenses (reclassification of lease expenses) of \$111,000. Therefore, we have adjusted for the actual lease expense of \$111,000 incurred during the period in order to provide a consistent base of earnings.

#### *Adjustment 7 – Run rate of monitoring assets acquired on 31 December 2019*

As at 31 December TPS acquired \$600,000 of annual monitoring revenues which are not expected to result in any additional costs being incurred. Therefore, we have included an additional \$300,000 of revenue in the six months ended 31 December 2019 to reflect the increase in ongoing monitoring revenue.

#### *Adjustment 8 – Savings from the closure of monitoring centres*

In November 2019 TPS closed the Alphington Monitoring Centre acquired as part of the Onwatch acquisition to utilise capacity in existing monitoring facilities. This produced cost savings of \$85,000 per month and therefore the cost savings for seven months in total (May to November 2019) have been added back to earnings.

In March 2020 TPS closed the Double Bay Monitoring Centre acquired as part of the Onwatch acquisition to utilise capacity in existing monitoring facilities. This produces cost savings of \$50,000 per month and therefore the cost savings for eight months in total (May to December 2019) have been added back to earnings.

#### *Adjustment 9 – Savings from redundancies*

As part of TPS’s cost cutting initiatives, three staff were made redundant in April 2020 resulting in cost savings of approximately \$300,000 per annum. Therefore \$150,000 (being six months of savings) has been added back to earnings for the six months to 31 December 2020.

## E. COMPARABLE COMPANY DATA

### Comparable Company Financial Data

Company	Market Cap \$m	TEV (\$m)	FY2019		FY2020		
			EBITDA (\$m)	EV/EBITDA	EBITDA (\$m)	EV/EBITDA	
Ava Risk Group Limited	ASX:AVA	33	31	(2.36)	(12.92)	-	-
CTI Logistics Limited	ASX:CLX	42	151	14.75	10.25	24.20	6.25
DTI Group Limited	ASX:DTI	9	6	(5.36)	(1.09)	-	-
Hills Limited	ASX:HIL	44	81	(7.35)	(10.95)	-	-
Kollakorn Corporation Limited	ASX:KKL	4	4	(1.17)	(3.04)	-	-
MCS Services Limited	ASX:MSG	3	3	0.36	7.63	-	-
Millennium Services Group Limited	ASX:MIL	13	52	(4.31)	(12.14)	-	-
PS&C Limited	ASX:PSZ	12	10	4.00	2.56	-	-
Redflex Holdings Limited	ASX:RDF	60	69	6.10	11.36	12.20	5.68
Spectur Limited	ASX:SP3	5	3	(2.17)	(1.41)	-	-
TZ Limited	ASX:TZL	5	15	(3.26)	(4.56)	-	-
<b>Average (excl FY19 negative earnings)</b>				<b>6.30</b>	<b>7.95</b>	<b>18.20</b>	<b>5.96</b>
<b>Median (excl FY19 negative earnings)</b>					<b>8.94</b>		<b>5.96</b>

## Comparable Company Business Description

Company	Business Description
Ava Risk Group Limited	<p>ASX:AVA</p> <p>Ava Risk Group Limited provides risk management services and technologies worldwide. The company operates through Perimeter Security, Access Control Solutions, and International Valuable Logistics segments. It manufactures and sells fibre optic intrusion detection and location systems that are used to detect and locate perimeter intrusion; for data network tapping and tampering, and oil and gas pipeline third party interference detection; and for other applications, including health, safety, and traffic monitoring. The company also provides smart card readers and card systems, biometric solutions, and electric locking and access control products. In addition, it offers international logistics services comprising armoured vehicle collection and delivery, storage, commercial and chartered air and sea freight, and customs brokerage services for high-risk valuables, precious metals, and currency. Further, the company provides consultancy services in the areas of risk and vulnerability assessments; incident, emergency, and crisis management; designing, integration, and installation for CCTV, electronic intrusion detection and location, electronic, biometric, smart card, and mechanical access control systems; and cyber security and risk management solutions. Additionally, its consultancy services comprise business continuity planning, cash management strategies and day to day management plans, vendor and service provider assessments, technical tender management with site supervision, specialized security training and skills workshops, distribution and loss prevention plans, and secure transportation management. The company serves architects, commercial and industrial customers, military, and governments. The company has a strategic alliance with CMTE Development Ltd. The company was formerly known as Future Fibre Technologies Limited and changed its name to Ava Risk Group Limited in May 2018. Ava Risk Group Limited was founded in 1994 and is based in Mulgrave, Australia.</p>
CTI Logistics Limited	<p>ASX:CLX</p> <p>CTI Logistics Limited provides transport and logistics services in Australia. It operates through three segments: Transport, Logistics, and Property. The company offers transport services, such as couriers, parcels distribution, taxi trucks, container handling, fleet management, heavy haulage, line haul, and freight forwarding services. It also provides warehousing and distribution services, including contracted distribution centre, overflow warehousing, temperature controlled storage, pick and pack, bulk product storage, external laydown area storage, quarantine inspection and processing, and stock control management services. In addition, the company offers temperature controlled storage, warehousing, and distribution services for wine, and food and health products; and logistical support services to the minerals and energy sector. Further, it provides security systems and services comprising electronic alarms, CCTVs, and access control systems for residential and commercial premises; and records management services consisting of document and archive storage, core sample storage, data and media storage, imaging and scanning, scheduled pickup and deliveries, and document destruction, as well as provides online access to reports and file activities. Additionally, the company offers shredding and recycling services; and wrapping services, including cleaning of plant and equipment, fumigation and spraying services, and sealed quarantine wrapping. The company is also involved in the rental of owner-occupied and investment properties. CTI Logistics Limited was founded in 1974 and is based in West Perth, Australia.</p>
DTI Group Limited	<p>ASX:DTI</p> <p>DTI Group Limited, together with its subsidiaries, develops, manufactures, and supplies integrated surveillance and passenger communication systems, and fleet management solutions worldwide. Its surveillance solutions comprising hardware systems that incorporate videos, audios, GPS tracking, communications, and recording technology, as well as support through sophisticated device and data management software providing fleet-wide, CCTV, and vehicle management solutions. The company's passenger communication solutions include hardware systems, which incorporate real time passenger information through graphical and high brightness displays, public address and hearing aid loop communications, passenger emergency communications, and driver awareness systems incorporating live viewing of passengers, and infotainment systems, as well as support through a device and content</p>

		management software to provide a comprehensive, fleet-wide, and passenger information management solutions. It also offers managed services, such as back-end control room communications and infrastructure comprising wide-area urban surveillance, driver development and risk mitigation, video management, vehicle data analysis and monitoring, schedule adherence analysis, IT infrastructure, help desk, technical support and monitoring, and first line maintenance services. The company's products are used in law enforcement, depot, passenger and heavy haul rail, mining, taxi, bus and coach, tram and LRV solution, and level applications. It serves transit agencies, transit vehicle manufacturers, and transit operators. DTI Group Limited was founded in 1995 and is headquartered in Perth, Australia.
Hills Limited	ASX:HIL	Hills Limited manufactures and distributes technology products and services that connect, entertain, and secure. It designs, supplies, and installs health technology, nurse call, patient entertainment, and related solutions, including security, Wi-Fi, and telephony solutions for the health and aged care sectors. The company also distributes access control solutions, alarms and intruder solutions, card access controls, CCTV cameras, video management solutions, wireless and networking solutions, analytics software for facial recognition and people counting solutions, asset management, fire detectors and alarms, antennas, set top boxes, digital TV systems, and satellite dishes, as well as provides pre and post installation services for security, surveillance, and IT sectors. In addition, it offers audio-visual products, such as unified communication, hearing augmentation, professional LCD display, and projector solutions; and professional audio solutions for indoor and outdoor applications. Further, the company provides solutions for home, hospitals and healthcare facilities, places of learning, entertainment venues, retail spaces, houses of worship, banking and finance, automation, and corporate and government institutions, as well as transport, infrastructure, and utility. It offers its products in Australia, New Zealand, the Pacific Islands, the Middle East, Europe, Asia, and North America. The company was formerly known as Hills Holding Limited and changed its name to Hills Limited in December 2013. Hills Limited was founded in 1945 and is headquartered in Lidcombe, Australia.
Kollakorn Corporation Limited	ASX:KKL	Kollakorn Corporation Limited develops, markets, and commercializes security oriented identification, authentication, and information storage technologies in Thailand and internationally. The company operates through three segments: Automated Vehicle Identification (AVI), Waste to Energy, and CertainID. It offers AVI products for electronic vehicle registration, electronic tolling, average speed monitoring, public transport journey time management, commercial vehicle tracking, access control, and parking lot management. The company also provides Smart&Secure tamper indicating RFID tags for tracking assets. In addition, it is involved in the development of CertainID, a technology, which enables biometric authentication of individuals and information over a network for the security and privacy of each user's biometric signature, as well as waste to energy conversion technologies. The company was formerly known as Mikoh Corporation Limited and changed its name to Kollakorn Corporation Limited in August 2012. Kollakorn Corporation Limited was founded in 1993 and is based in Sydney, Australia.
MCS Services Limited	ASX:MSG	MCS Services Limited provides guard security and related services in Australia. It offers uniformed security at retail shopping centres, government offices, health facilities, commercial properties, construction and ancillary sites, sports stadiums, and outdoor events in the Perth metropolitan area and Western Australia. The company also provides covert security, mobile patrol, and response vehicle services. In addition, it engages in supplying, installing, and commissioning of security alarms, CCTV, biometric, and access control systems to the commercial, industrial, and domestic sectors. MCS Services Limited was incorporated in 2006 and is headquartered in Joondalup, Australia.
Millennium Services Group Limited	ASX:MIL	Millennium Services Group Limited provides cleaning, security, and integrated services in Australia and New Zealand. The company offers incident reporting, security patrol, and concierge services; and pest control, property maintenance, and landscaping services. It provides its services to retail shopping centres, commercial properties, government buildings, education facilities, malls, tenanted office spaces, car parks, and external areas. The company was founded in 2003 and is based in Mount Waverley, Australia.
PS&C Limited	ASX:PSZ	PS&C Limited provides information and communications technology (ICT) services primarily in Australia. The company operates in four segments: Discovery + Insights, Design + Process, Delivery + Cloud, and Defend + Secure. The Discovery + Insights segment is involved in shaping digital ambition, strategy, and business cases based on insights. The Design + Process segment engages in sourcing and providing specialist contractors to

customers for medium and long-term ICT projects, as well as managing payroll function for customers. The Delivery + Cloud segment is involved in the consulting and implementation of services around unified communications, conferencing and messaging, contact centre solutions, and secure voice technologies. The Defend + Secure segment engages in services and consulting around reducing operational, financial, reputational risk, and digital security matters. PS&C Limited was founded in 2013 and is headquartered in Melbourne, Australia.

Redflex Holdings Limited	ASX:RDF	Redflex Holdings Limited, together with its subsidiaries, develops and implements intelligent traffic management products and services in the Americas, Australia, and internationally. It develops, manufactures, and operates various platform based solutions, including red light cameras, speed cameras, auto number plate recognition, and school bus stop arm camera systems. The company's solutions include Smart Motorway, a road management system that implements and monitors speed limit on motor ways, as well as captures enforceable violations data; and Red X, a lane management solution, which alerts drivers to speed changes and land closures. It also provides Student Guardian, an automated solution to capture video footage and still images of vehicles that illegally pass stationary school buses for the safety of school children; and Halo Distributed, a vehicle detection point to point system for accurate Automatic Number Plate Recognition (ANPR) applications, traffic monitoring, and enforcement. In addition, the company offers Halo Fixed, an all in one enforcement solution, which delivers Intelligent Transport Systems (ITS) applications, including red light, speed, average speed, stop sign, and Civil enforcement, as well as ANPR, Bi-directional capture, and vehicle classification. Further, it provides Radarcam, a speed detection and enforcement device; Alcyon, a cloud-based case management and photo enforcement processing solution; and Alcyon IQ, an advanced system monitoring, data matching, and alerting solution. Redflex Holdings Limited was founded in 1995 and is headquartered in South Melbourne, Australia.
Spectur Limited	ASX:SP3	Spectur Limited designs, develops, manufactures, and sells remote solar 3G/4G based security camera networks, and related products and services in Australia. The company offers solar powered 3G/4G security camera, a monitoring and security system designed for construction and building, remote and non-powered, and agriculture and farm sites. It also provides security cameras for hire. Spectur Limited was incorporated in 2009 and is based in Cockburn Central, Australia.
TZ Limited	ASX:TZL	TZ Limited, together with its subsidiaries, develops intelligent devices and smart device systems that enable the commercialization of hardware and software solutions for the management, control, and monitoring of business assets. It offers smart lockers and cabinet security solutions. The company also provides associated value added services. The company operates primarily in Australia, the United States, the United Kingdom, and Singapore. TZ Limited is based in Sydney, Australia.

## F. INDUSTRY PROFILE

### *Summary of Industry*

11.18 The investigation and security services industry includes those firms that provide security, protection or private enquiry services excluding services provided by police forces and government security agencies. This industry includes the provision of guards and patrols, monitored security systems, casual and permanent security staff and crowd controllers. Some firms in this industry also offer cash collection services and secure document and computer data storage.

### *Performance and Outlook*

11.19 According to the IBISWorld Industry Report 07712 issued in October 2019 industry revenue was expected to grow at an annualised 3.0% over the five years through to FY20 including growth of 2.7% in the current year. However intense competition has resulted in reduced service pricing and profit margins to an industry average of 9.8% in FY20. Industry revenue is forecast to grow at an annualised 2.8% over the five years to FY25 to reach \$9.8 billion, a driver of this growth is the expected tightening of alcohol licensing regulations in some states and territories that will require stricter crowd control measures.

11.20 The level of criminal activity has declined over the previous five years however security conscious business and households have continued to invest in security services and investigative services primarily due to concerns regarding terrorism, increased internet usage and increasing instances of cybercrime. Technology has an increasingly key role in crime prevention including the use of closed-circuit television, online security and protection from fraud and identity theft. Despite the greater uses of surveillance technology reducing the demand for manned patrols, industry employment has increased due to rising demand for crowd control and mobile guard services. Crowd control is a growth area of industry activity particularly at major events and entertainment venues, public areas and government buildings primarily caused by terrorism concerns following the 2014 Lindt Café siege.

11.21 Low barriers to entry and industry saturation has hindered the ability of small and mid-sized security firms from increasing their market share. The saturation of the industry has also resulted in intense pricing competition. High-tech surveillance and data-delivery tools will be at the forefront of industry services over the next five years. The increasingly security conscious society is likely to see increased private and public places covered by electronic surveillance. Upgrades to security systems and services and the ongoing need for monitoring and locksmiths is anticipated to support revenue growth.

11.22 Industry growth is expected to slow towards the end of the five-year outlook period as the industry continues to mature and pricing pressures intensify. Profit margins are forecast to decline as costs rise and pricing growth eases. Expansion into new geographic regions and greater demand for specialist services such as document and data security are likely to drive industry growth.

### *COVID-19 Industry Impact*

11.23 IBISWorld has provided an update as to the expected impact on the industry from the COVID-19 pandemic and according to its research there has been minimal disruption in this sector.

## Industry Segmentation

11.24 Industry revenue per product and service is summarised in the graph below with mobile guards and patrol services, private investigation services and security system monitoring services being the largest segments.

**Figure 6 Industry Revenue by service and product**



2020 INDUSTRY REVENUE

**\$8.5bn**

Investigation and Security Services  
Source: IBISWorld

Source: IBISWorld

## External Drivers

11.25 The Key external drivers for the industry are:

- Level of criminal activity: Actual and perceived increases in crime typically result in increased demand for security services and associated systems.
- Population growth: Growth in the population leads to increased requirements for security, crowd control, patrols and other security services.
- Number of businesses: Typically most businesses require a security system or security protection and therefore growth in businesses is correlated with growth in the requirement for security services. At the time of preparation of the report by IBISWorld in October 2019 the number of businesses was expected to continue to increase in FY20, as the impact of COVID-19 had not been factored in.
- Demand from event promotion and management services: Major sporting, conference and entertainment events require security to ensure the safety of patrons. Greater demand from event promotion companies has a positive impact on the industry. At the time of preparation of the report by IBISWorld in October 2019 the demand from event promotion companies was anticipated to grow in FY20, as the impact of COVID-19 had not been factored in.
- Demand from general insurance: Insurance companies during the renewal process often require businesses and households to upgrade their security systems or for business requiring security guards and night patrols and this has a positive impact on this industry. Demand from general insurance companies was expected to increase in FY20.

### *Key Success Factors*

11.26 The Key success factors for the industry are:

- Membership of an industry organisation: Such as the Australian Security Industry Association or a similar body as this legitimises the company and enhances their reputation.
- Adding value to base products by offering integrated security solutions: Clients prefer companies that are solutions orientated rather than product orientated.
- Access to the latest available and most efficient technology and techniques: The use of up to date equipment and technology can lead to a competitive advantage in the market.
- Highly trained workforce: Skilled staff are essential for providing better services to clients and this can assist with winning contracts and repeat business.
- Provision of development programs for personnel: continual education helps companies provide professional services to their clients.
- Good reputation: A good public image and high integrity of client relations generates word-of-mouth recommendations and increases company reputation.

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**LODGE YOUR VOTE**

-  **ONLINE**  
www.linkmarketservices.com.au
-  **BY MAIL**  
Threat Project Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia
-  **BY FAX**  
+61 2 9287 0309
-  **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138
-  **ALL ENQUIRIES TO**  
Telephone: 1300 554 474      Overseas: +61 1300 554 474



**X99999999999**

**PROXY FORM**

I/We being a member(s) of Threat Protect Australia Limited and entitled to attend and vote hereby appoint:

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)**      **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

**STEP 1**

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **3:00pm (WST) on Friday, 31 July 2020** at Hay Room, BDO, 38 Station Street, SUBIACO WA 6008 (the **Meeting**) and at any postponement or adjournment of the Meeting.  
**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

**VOTING DIRECTIONS**

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .**

**Resolutions**

	For	Against	Abstain*
1 Approval of Issue of Conversion Shares and the maximum voting power by Black Crane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of Prior Issue of Shares to Black Crane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 2**



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

**STEP 3**

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (WST) on Wednesday, 29 July 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Threat Protect Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)



### COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**