



ASX ANNOUNCEMENT

3 November 2016

Threat Protect secures up to \$10.5 million funding package with new cornerstone investor First Samuel Limited

Highlights

- Share placement to raise up to \$1.5 million at 3 cents per share, a premium of 69% to Threat Protect's 30 day VWAP¹ on 2 November 2016
- \$9.0 million three year convertible note to be utilised for future acquisition of security monitoring businesses
- First Samuel to become significant new cornerstone investor in Threat Protect
- Threat Protect now well funded to actively pursue its acquisition growth strategy and continue its consolidation of the Australian security monitoring industry

Threat Protect Australia Limited ("**Threat Protect**" or "**Company**") (ASX:"**TPS**") is pleased to announce a new funding package of up to \$10.5 million with First Samuel Limited ("**First Samuel**"), a Melbourne based wealth management business with approximately A\$450m under management.

The package will result in First Samuel becoming a cornerstone shareholder in Threat Protect, and be utilised to fund the Company's monitored security acquisition strategy.

The funding package comprises a share placement of up to \$1.5 million ("**Placement**") plus in aggregate, \$9.0 million in Notes available to be issued at Threat Protect's discretion, on the purchase of monitored security client bases.

The Placement, to be completed in two tranches, is priced at 3 cents per share representing a 69% premium to Threat Protect's 30 day VWAP on 2 November 2016.

Following the Placement, First Samuel will become a substantial shareholder with a minimum shareholding of 5.8%, potentially increasing to 8.3% on completion of the second tranche. First Samuel's shareholding will further increase up to 33.9% in the event of a full draw down and conversion of the convertible note.

Threat Protect Managing Director Demetrios Pynes said: "We are very pleased to have secured a substantial funding package at a significant premium to our share price that provides the Company with readily available finance for future expansion."

¹ Volume Weighted Average Price

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First Samuel has been a Threat Protect shareholder since February 2016 and is an established value investor in the Australian monitored security sector. We welcome their increased investment as a strong vote of confidence in the Company's outlook and we look forward to working closely with them for the benefit of all our shareholders to grow our recurring monitored security income."

Dennison Hambling, Chief Investment Officer for First Samuel commented: "First Samuel and our clients are excited to be involved with Threat Protect and look forward to seeing it execute on its exciting growth plans over coming years. We look to invest in strong businesses with excellent fundamentals and real drive, and we expect to be long term participants in the Threat Protect growth story".

Placement

Threat Protect will issue up to 50 million new ordinary shares to First Samuel priced at 3 cents per share, raising up to \$1.5 million before costs and comprises:

- \$0.9 million from the issue of 30 million shares under Tranche 1; and
- \$0.6 million from the issue of 20 million shares under Tranche 2.

The Tranche 1 share issue will fully utilise Threat Protect's remaining placement capacity under ASX Listing Rules 7.1 and 7.1A, and is not subject to shareholder approval. Completion of Tranche 2 is subject to shareholder approval, which is proposed will be sought at the Company's upcoming Annual General Meeting on 29 November 2016. The new shares issued under the Placement will rank pari passu with existing ordinary shares on issue.

Settlement of Tranche 1 is scheduled for 4 November 2016, with the new shares expected to commence trading on ASX on 7 November 2016.

Subscription for Notes

Under the terms of the proposed Note Deed, Threat Protect shall issue in aggregate, 9,000,000 Notes with a face value of \$1 each (having a total subscription amount of A\$9 million) in up to three tranches. The key terms of the Notes include as follows:

- Unsecured and subordinated to senior debt.
- 3 year term commencing from the date of issue of the first tranche of Notes.
- Interest rate of 9% per annum, paid bi-annually.
- Threat Protect may elect to redeem the Notes on issue in whole or part during the term, at a redemption amount equal to the face value of the Notes plus accrued interest and a redemption premium of \$0.67 per Note.
- Subject to Threat Protect shareholder approval, Notes may convert to fully paid ordinary shares in Threat Protect at a conversion rate equivalent to 3 cents per share (subject to adjustments as provided in the terms of the Note Deed).

Further details of the proposed Notes are annexed to this announcement.

Acquisition growth strategy

The Australian security industry is highly fragmented with around 6,500 businesses nationally generating approximately \$6.3 billion revenue in 2014. Alarm monitoring represents around 16% of this and is Threat Protect's primary focus.

The Company believes the industry is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model. Threat Protect's acquisition growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

Threat Protect has completed 6 acquisitions since listing on the ASX and is in the process of conducting due diligence on several opportunities. The new funding package significantly increases the Company's acquisition capability and positions it well to progress the execution of its growth strategy.

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Investors

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About First Samuel

First Samuel Limited is a Melbourne based wealth management business that has been providing an integrated wealth management service since 1999, and has approximately \$450 million under discretionary management. First Samuel focuses on medium to long term investments, and has significant corporate experience having been involved in numerous corporate restructurings, capital raises and merger and acquisition activities.

About Threat Protect Australia Limited

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end to end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it "**Security Without Compromise**".

- Threat Protect is a leading Australian security agency fully licensed by WA and NSW police departments and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We'll personally evaluate your security needs.
- All products and services meet Australian Standards.
- 24-hour monitoring from our A1 graded control room in Perth.



Annexure A – Summary of key terms of Notes

Face value	\$1 per Note
Number of Notes	9,000,000. To be issued in not more than 3 tranches as elected by Threat Protect.
Subscription amount	A\$9,000,000 in aggregate.
Timing for subscription	On the date elected by Threat Protect in a notice in writing to the subscriber (such date not being earlier than 2 business days after such notice), at any time, and provided that such issue date is not later than the Maturity Date.
Interest rate	<u>Prior to the Maturity Date</u> : 9% pa on the outstanding Face Value, accruing daily from the issue date until the earlier of conversion or redemption. <u>After the Maturity Date</u> : 11%pa on the outstanding Face Value, accruing daily.
Interest payment date	The date that is six months after first issue date of Notes and each six months thereafter.
Maturity Date	The date that is the 3 rd anniversary of the first issue date of Notes.
Conversion	Subject to obtaining Threat Protect shareholder approval, the Notes may be convertible to fully paid ordinary shares in Threat Protect. If at the Maturity Date, shareholder approval has been obtained, the Notes shall automatically convert to fully paid ordinary shares in Threat Protect at the conversion ratio described below. If at the Maturity Date, shareholder approval has not been obtained, the Notes may only be converted to the extent that the conversion is not in breach of either the Listing Rules or a noteholder's obligations under s606 of the Corporations Act. Notes which remain outstanding after the Maturity Date accrue interest at the rate of 11% pa.
Conversion ratio	Each Note converts to 33.333 shares (rounded up to the next whole number of shares) – based on a Conversion Price of \$0.03 per share.
Conversion price adjustments	The Conversion Price is subject to adjustments for capital reconstructions and bonus issues in the usual manner. In addition, if Threat Protect issues any shares to any person at a price lower than \$0.03 per share, at any time between the first issue date of the Notes and the date all Notes are redeemed or converted, then the Conversion Price shall be reduced to that price.
Redemption	Threat Protect may in its discretion, redeem some or all outstanding Notes at any time after the first anniversary of the first issue of Notes with 30 days' written notice to the subscriber. The subscriber may require Threat Protect to redeem any Notes then outstanding: <ul style="list-style-type: none"> • at any time after the Maturity Date, but before the Sunset Date; or • following an event of default that is not remedied within 10 business days of a noteholder giving notice to Threat Protect to remedy such default. All Notes outstanding at the Sunset Date, must be redeemed by Threat Protect if not converted or redeemed.

Redemption amount	<ul style="list-style-type: none"> • Redemption Premium of \$0.67 per Note, plus • \$1 (face value of Note) per Note, plus • accrued interest in respect of the Note.
Sunset Date	The date that is the 5 th anniversary of the first issue date of Notes.
Voting and other rights	Notes do not carry any voting rights (nor is the subscriber entitled to notice of any general meeting of shareholders) nor the right to participate in rights issues or bonus issues.
Security	The Notes are unsecured.
Condition precedent for subscription	<p>The subscriber's obligations under the Note Deed are subject to Threat Protect making an announcement to the ASX (in a form acceptable to the subscriber) in relation to:</p> <ul style="list-style-type: none"> • the issue of the notes under the Note Deed; • the undertaking of a share placement by Threat Protect to the subscriber; and • Threat Protect's planned acquisition activities, <p>on or before the date of the first issue of notes.</p> <p>The subscriber need not subscribe for notes while an event of default under the Note Deed subsists.</p>
Events of default	<p>Each of the following is an Event of Default (whether or not it is in control of Threat Protect):</p> <ol style="list-style-type: none"> (a) Threat Protect fails to make a payment under the Note Deed when due; (b) Threat Protect fails to issue any Conversion Shares by the day by which it is required to issue those Conversion Shares; (c) Threat Protect defaults in the performance or observance of any material provision of the Note Deed; (d) a representation or warranty or other statement by or on behalf of Threat Protect in the Note Deed, or in a document provided under it, is incorrect or misleading in a material respect; (e) Threat Protect is or becomes insolvent; (f) Threat Protect stops or suspends or threatens to stop or suspend payment of all or a class of its debts, other than as a result of a dispute with a creditor in the ordinary course of business; and (g) there is any material change in the business, assets, management or circumstances of Threat Protect.