

Quarterly Activities Report and Appendix 4C Quarter ended 30 June 2020

About Threat Protect

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

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

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

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

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

GROWTH STRATEGY

The Australian security industry is highly fragmented and Threat Protect believes is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model.

Threat Protect's growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

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

HIGHLIGHTS FOR MARCH QUARTER

- Operating revenue remains consistent at approximately \$7m despite the COVID-19 pandemic. This reflects a \$852k (14%) increase from the June 2019 quarter.
- The process of integrating Onwatch is now complete and will continue to result in substantial reduction in operational and integration costs.
- The priorities for the business for 2020 remain driving cashflow through operational efficiencies and low-cost incremental revenue growth
- Operating cashflow for the quarter of \$1.6m before integration & acquisition costs of \$0.6m and interest and other finance costs of \$1.3m. Interest and other finance costs for the quarter includes interest of \$0.6m delayed from the prior quarter.
- The Company successfully secured \$6.5m of loan note facility funding via Black Crane, to consolidate its existing operations and increase profitability.
- The Company has \$4.1m of cash at June 2020.

Operating Revenue

The Company's operating revenue was consistent with prior quarters. Monitoring revenue was stable whilst Protective Services was higher than expectation due to additional services provided at Rottneest Island for COVID related quarantine requirements.

Results of the Cost Committee & Closure of Double Bay Control Room

Since the establishment of the cost committee in February, \$280k per month of ongoing costs have been cut to date representing a \$3.4m increase to EBITDA on an annualised basis. A further \$100k per month (\$1.2m per annum) of savings through operational efficiencies have been identified to be delivered within the first half of FY21.

The process of consolidating Onwatch capacity is now complete, with the closure of the Double Bay monitoring centre and the integration of the operation into the Company's existing Kingsgrove monitoring centre. The Double Bay NSW monitoring centre was part of the acquisition of Onwatch and surplus to requirements.

As a result, acquisition and integration costs have significantly reduced.

Black Crane Funding

On 15 April the Company announced it had secured a further \$6.5m of debt funding from its existing substantial shareholder and strategic investor Black Crane Asia Pacific Opportunities Fund, ("Black Crane"). The Company issued an unsecured convertible loan note deed in order to access the additional \$6.5m.

The funding received will further secure the Company's position to accelerate its growth strategy and will be specifically applied to:

- Finance further synergies from the consolidation of operations and administration, and leveraging the increased scale of operations.
- Reduce the Soliton/SSG debt facility by \$1.5m resulting in a net interest cost saving of \$90k per annum.
- Improve working capital.

Listing Rule 4.7C.3

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of approximately \$111,000 comprised fees to executive and non-executive directors and their related parties' remuneration.

Cash at Bank & Summary of Cash Flows

Cash at bank at the end of June 2020 was \$4.1m, compared with \$972k as at 31 March 2020. Net cash used in operating activities was \$247k, up marginally from \$187k for the previous quarter. The main variances were product manufacturing and operating costs down \$1.323m due to reduced costs and COVID related relief on taxes payable, and interest and other costs of finance paid up \$1.260m due to the payment of the interest from the prior quarter as part of the amendment of covenants. In addition, net cash flows from financing activities were up \$4.29m from (\$132k) for the previous quarter due to the securing of a loan note facility of \$6.5m, offset by repayment of borrowings of \$1.78m and transaction costs related to loans and borrowings of \$618k.

End –

Authorised for release by the Board of Threat Protect Australia Limited

For further information, contact:

Investors

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Threat Protect Australia Limited

ABN

36 060 774 227

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,341	30,379
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,120)	(11,718)
(c) advertising and marketing	(9)	(125)
(d) leased assets	-	-
(e) staff costs	(3,418)	(13,246)
(f) administration and corporate costs	(363)	(1,856)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(1,301)	(2,938)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	183	-
1.8 Other		
- Business acquisition & integration costs	(235)	(1,621)
- Staff costs – Business integration & acquisition	(325)	(2,118)
1.9 Net cash from / (used in) operating activities	(247)	(3,242)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(121)	(534)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (intangible assets)	(581)	(2,478)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	(1)
2.6 Net cash from / (used in) investing activities	(702)	(3,013)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,650
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(275)
3.5 Proceeds from borrowings	6,500	6,500
3.6 Repayment of borrowings	(1,775)	(3,014)
3.7 Transaction costs related to loans and borrowings	(618)	(618)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,107	8,243

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	976	2,146
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(247)	(3,242)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(702)	(3,013)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,107	8,243
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,134	4,134

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,134	976
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,134	976

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1. 35,468 2. 8,810 3. 6,099 4. 135	1. 35,468 2. 8,810 3. 6,099 4. 135
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	50,512	50,512

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

1. Secured Notes issued by Soliton Capital Partners Pty Ltd, maturing 28 February 2022. Current Interest Rate 10.92% pa.
2. Unsecured Notes issued by First Samuel Limited on behalf of its MDA clients, maturing 28 February 2022. Current Interest Rate 7.53% pa.
3. On 15 April 2020 TPS entered into an unsecured convertible note deed with Black Crane Asia Opportunities Fund to the value of \$6.5m at 5% pa interest rate maturing in 3 years.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(247)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,134
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,134
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	16.74

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not Applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not Applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not Applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2020

Authorised by: The Board of Threat Protect Australia Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.