28 October 2020

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

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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 THE QUARTER

- Operating revenue of $6.4m was in line with the prior quarter after taking into account end of year accounting adjustments.
- Receipts from customers of approx. $7.2m remain consistent with prior quarters and reflect no deterioration in debtors during these COVID times.
- Gross margin improved by $510,000 to $2.7m driven by cost reductions in monitoring.
- Adjusted EBITDA before acquisition and integration costs improved by $518,000 to $1.3m for the quarter, being 20% on revenue.
- Integration costs have reduced quarter on quarter by $296,000 to $354,000, These items are expected to continue to reduce.
- Operating cashflow for the quarter was $1.4m before acquisition and integration cash outflows of $366,000 and interest and other costs of finance of $610,000. Net cash from operations was $432,000.
- The company has $3.45m of cash at 30 September 2020.

Operating Revenue

Monitoring revenue up $121,000 on last quarter, offsetting a lower revenue from Protective Services. The gross margin effect of the reduced revenue in Protective services was not significant due to the variable cost structure. Improvement is expected in Protective Services revenue following a recommencement of training services following the COVID shutdown period.

Results of the Cost Committee

Since the establishment of the cost committee in February, $351k per month of ongoing costs have been cut to date representing a $4.2m increase to EBITDA on an annualised basis. A further $90k per month ($1.1m per annum) of savings

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through operational efficiencies have been identified to be delivered within the first half of FY21.

Synergies are being derived from consolidation of administration functions and operational systems. As a result, acquisition and integration costs have significantly reduced.

Black Crane Loan Note

The Black Crane Loan Note of $6.5 million was replaced by 6,500,000 Convertible Notes after approval at a General Meeting of shareholders held on 31 July 2020.

Listing Rule 4.7C.3

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of approximately $286,000 comprised fees to executive and non-executive directors and their related parties' remuneration. Of this, $137,000 comprised a termination payment to Paolo Ferrara following his resignation on 11 May 2020 and $52,000 comprised backpay paid to directors relating to the previous quarter.

Cash at Bank & Summary of Cash Flows

Cash at bank at the end of September 2020 was $3.45m, compared with $4.1m at 30 June 2020. Net cashflow from operating activities was $432,000, up from ($247,000) for the previous quarter. The main variances were integration and acquisition costs reduced by $194,000, and interest and other costs of finance paid down $691,000 due to the payment of two quarters of interest in the prior quarter as part of the adjustments to financing arrangements.

Net cash used in investing activities was up $334,000 to $1.0m due the payment of contingent consideration. Net cash flows from financing activities were down ($4.2m) from $4.1m for the previous quarter due to no financing activities undertaken in this quarter.

Guidance

The Company notes that it remains on track to achieve its FY 2021 revenue and Normalised EBITDA guidance, as advised to the market on 6 August 2020.

Authorised for release by the Board of Threat Protect Australia Limited.

For further information, contact:

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Appendix 4C

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

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Name of entity	
Threat Protect Australia Limited	
ABN	**Quarter ended ("current quarter")**
36 060 774 227	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	7,193	7,193
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,159)	(2,159)
	(c) advertising and marketing	(49)	(49)
	(d) leased assets	-	-
	(e) staff costs	(3,296)	(3,296)
	(f) administration and corporate costs	(386)	(386)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(610)	(610)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	105	105
1.8	Other		
	- Business acquisition & integration costs	(174)	(174)
	- Staff costs – Business integration & acquisition	(192)	(192)
1.9	**Net cash from / (used in) operating activities**	**432**	**432**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(126)	(126)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments	(180)	(180)
	(e) intellectual property	-	-
	(f) other non-current assets (intangible assets)	(731)	(731)
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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1,037)**	**(1,037)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(76)	(76)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(76)**	**(76)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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	4,135	4,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	432	432
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,037)	(1,037)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(76)	(76)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**3,454**	**3,454**

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	3,454	4,134
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)**	**3,454**	**4,134**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	286
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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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. 35,538 2. 8,810 3. 6,500 4. 35	1. 35,538 2. 8,810 3. 6,500 4. 35
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	50,883	50,883
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 29 April 2022. Current Interest Rate 10.65% pa.

2. Unsecured Notes issued by First Samuel Limited on behalf of its MDA clients, maturing 28 February 2022. Current Interest Rate 6.66% pa.

3. 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.

4. Various short-term borrowings including insurance premium funding and equipment finance.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	432
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,434
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,434
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	Operating cash flow positive

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

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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: 28 October 2020

Authorised by: By The Board
(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.

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