

Quarterly Activities Report and Appendix 4C

Quarter ended: 31 December 2016

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 Progresses Acquisition Strategy

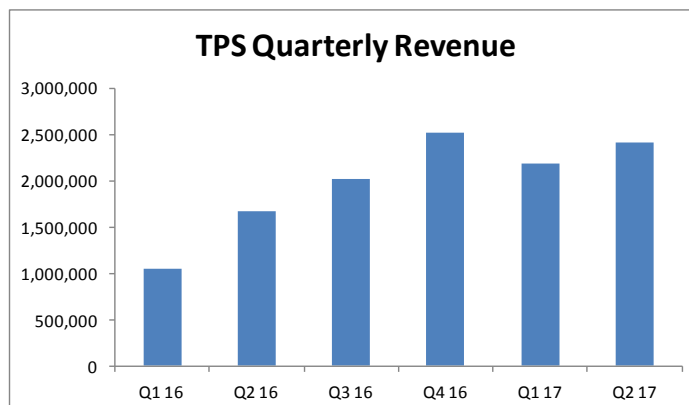
Threat Protect Australia Limited ("**Threat Protect**" or "**Company**") (ASX:"**TPS**") is pleased to provide its quarterly market activity update.

HIGHLIGHTS

- December quarter 2016 total revenue of \$2.4 million, up 10% on previous quarter and up 33% on prior year quarter
- Improved cash position of \$1.15 million at quarter end
- Funding package secured with new cornerstone investor First Samuel Limited of up to \$10.5 million to fund security monitoring acquisitions
- Entered into option in early January to acquire Apollo Security for approximately \$6.0 million, a major security monitoring business in NSW and QLD with annual revenue of around \$3.2 million which would more than double Threat Protect's current annual monitoring revenue
- Increasing scale of security monitoring operations and utilisation of available control room capacity driving higher contribution margins in FY2017

OPERATING REVIEW

Total revenue for the quarter of \$2.4 million returned the Company to positive growth - up 10% on the previous quarter, and an increase of 33% on the prior year quarter. Threat Protect's growth strategy continues to increase the Company's scale of the operations with revenue year to date tracking at around 63% of FY2016 total revenue.

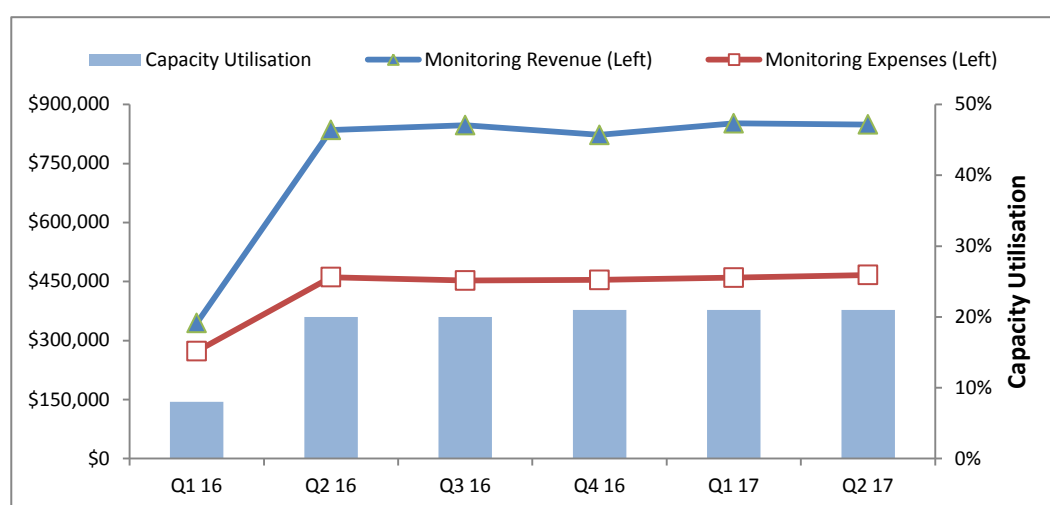


Quarterly Report: December 2016

Cash generation continues to build momentum with positive cash flow from operations of \$0.27 million prior to non-recurring outflows of \$0.95 million comprising loan interest, business acquisition and integration costs, and settlement of historic ATO tax obligations.

Manning and consulting revenue was a key growth driver this quarter due to the commencement of the summer and New Year events calendar, with seasonally strong performance also expected in the March quarter 2017.

Monitoring revenue for the quarter was \$0.85 million and is expected to grow significantly as proposed new acquisitions are integrated in the second half of the year.



ACQUISITION GROWTH STRATEGY

Threat Protect made significant steps in executing its growth strategy securing a new funding package and recently announcing a proposed acquisition that would potentially more than double the Company's security monitoring business.

The growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through the acquisition of monitored security client bases across Australia. The Company has a readily scalable business whereby new monitoring revenue is able to generate increased margin and significant earnings uplift.

In November the Company secured a new funding package of up to \$10.5 million to be utilised towards this strategy. This resulted in First Samuel Limited, a Melbourne based wealth management business, becoming a cornerstone shareholder in Threat Protect. The funding package comprised a \$1.5 million share placement at 3 cents per share (a premium of 69% to Threat Protect's 30 day VWAP on 2 November 2016), and in aggregate \$9.0 million three year convertible notes to be utilised for future security monitoring acquisitions.

The new funding package was immediately put to use with an option agreement executed in early January to acquire Apollo Security Pty Ltd for approximately \$6 million. Apollo is a Sydney based security services business with a monitoring control room in Sydney that provides monitored security services to clients in New South Wales and in Queensland.

The proposed acquisition would grow the Company's national presence, adding anticipated recurring annual revenue of approximately \$3.2 million across approximately 250 resellers servicing over 16,000 monitoring customers. The anticipated revenue from the Apollo business would more than double Threat Protect's total monitoring revenue in FY 2016 of \$2.84 million.

The proposed acquisition is subject to exercise of the option by 31 March 2017 and completion of due diligence by Threat Protect. The Company is also required to seek shareholder approval under Listing Rule 11.2 relating to a significant change of scale of the Company's activities with the Extraordinary General Meeting to be held on 23 February 2017.

CORPORATE AND FINANCIAL

Threat Protect's cash position at the end of the December 2016 quarter was \$1.15 million, an improvement of \$0.63 million on the September quarter. The Company remains well funded to continue to explore and pursue further acquisition opportunities.

Mr Dimitri Bacopanos was appointed to the Threat Protect Board in December as a Non-Executive Director. Mr Bacopanos was previously an Executive Director in the Transaction Advisory Services team at EY, and has more than 20 years' commercial experience in both private and ASX listed companies, including mergers and acquisitions.

Another key appointment during the quarter included Mr Dean Paterson as Commercial Manager. Mr Paterson was previously Group Risk Manager at Imdex Limited and has over fifteen years' experience in public companies and chartered accounting practices. Mr Paterson's appointment adds to the Company's operational capabilities as it continues to execute its acquisition growth strategy.

- End -

For further information, contact:

Investors

Demetrios Pynes
Managing Director
Threat Protect Australia Limited
+ 61 414 984 806

Media

James Tranter
FTI Consulting
+61 8 9485 8888

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Threat Protect Australia Limited

ABN

36 060 774 227

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,461	5,060
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(1,609)	(3,432)
(c) advertising and marketing	(19)	(43)
(d) leased assets	-	-
(e) staff costs	(344)	(685)
(f) administration and corporate costs	(166)	(335)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(51)	(98)
- Loan interest relating to prior periods paid	(155)	(155)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(78)	(131)
- Taxation and employee obligations relating to prior periods paid	(720)	(720)
1.9 Net cash from / (used in) operating activities	(680)	(537)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(9)	(40)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) intangible assets	(57)	(180)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	5	5
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(61)	(215)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,500	1,500
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(75)	(75)
3.5	Proceeds from borrowings	-	146
3.6	Repayment of borrowings	(53)	(115)
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	1,372	1,456

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	521	448
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(680)	(537)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(61)	(215)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,372	1,456
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,152	1,152

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	1,152	521
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)	1,152	521

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
80
-

Directors' fees, salaries and superannuation.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1. 2,000 2. 500 3. 1,275	2,000 481 281
8.2 Credit standby arrangements	-	-
8.3 Other	4. 9,000,000	-

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

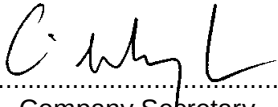
1. National Australia Bank Secured Loan. Current Interest Rate 5.370%pa
2. National Australia Bank Secured Working Capital Facility. Current Interest Rate 5.351%pa
3. National Australia Bank Secured Business Acquisition Facility. Current Interest Rate 5.351%pa
4. Unsecured Convertible Note (issued by First Samuel Limited on behalf of its MDA clients). Interest rate 9.0% pa.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Operating costs	(2,162)
9.3 Advertising and marketing	(12)
9.4 Leased assets	-
9.5 Staff costs	(333)
9.6 Administration and corporate costs	(174)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,681)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.

Sign here: 
Company Secretary

Date: 25 January 2017

Print name: Simon Whybrow

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.