

SCOUT SECURITY LIMITED
(ACN: 615 321 189)

NOTICE OF EXTRAORDINARY GENERAL MEETING – 23 May 2024

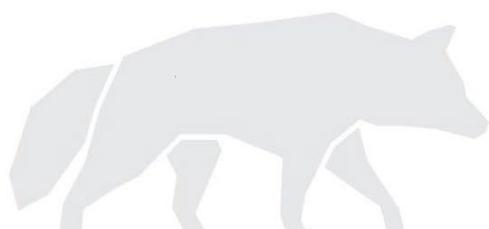
Notice is hereby given that Scout Security Limited (the “Company” or “Scout”) will hold its Extraordinary General Meeting virtually at 11:00am (AEST) on Thursday, 23 May 2024 for the purpose of transacting the business set out in this Notice.

DATED 19 April 2024

By order of the Board:

K. Larkin

Kim Larkin
Company Secretary



AGENDA

Chairman's Address

CEO's Address

Resolutions

1. Amendment to Convertible Notes – Non-Related Parties

To consider, and if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to amend the terms of 1,326,250 Convertible Notes held by non-related parties of the Company, to extend the Maturity Date under the Convertible Notes to 31 December 2024, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

2. Amendment to Convertible Notes – Mr Martin Pretty (Equitable Investors)

To consider, and if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to amend the terms of 92,500 Convertible Notes held by Equitable Investors (an associate of Martin Pretty) as trustee for Equitable Investors Dragonfly Fund, to extend the current Maturity Date under the Convertible Notes to 31 December 2024, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

3. Amendment to Convertible Notes – Mr Anthony Brown (Jarvis Brown)

To consider, and if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to amend the terms of 56,250 Convertible Notes held by Jarvis Brown (an associate of Anthony Brown), to extend the Maturity Date under the Convertible Notes to 31 December 2024, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

4. Ratification of prior issue of Initial Warrants – Non-Related Parties

To consider, and if in favour, 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 5,034,150 Initial Warrants on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

5. Approval to Issue Initial Warrants – Martin Pretty (Equitable Investors)

To consider and, if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 100,490 Initial Warrants to Equitable Investors (an associate of Martin Pretty, a Non-Executive Director) (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

6. Approval to Issue Initial Warrants – Daniel Roberts

To consider and, if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 75,000 Initial Warrants to Mr Daniel Roberts, Non-Executive Director (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

7. Approval to Issue Initial Warrants – Ryan McCall

To consider and, if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 150,000 Initial Warrants to Mr Ryan McCall, Executive Director (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

8. Approval to Issue Initial Warrants – Anthony Brown (Jarvis Brown)

To consider and, if in favour, pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 150,000 Initial Warrants to Jarvis Brown (an associate of Anthony Brown, a Non-Executive Director) (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

NOTES

1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Extraordinary General Meeting is incorporated in and comprises part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

2. Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 1 – Amendment to Convertible Notes – Non-Related Parties	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed amendment to the terms of the Convertible Notes held by the Non-Related Parties (except a benefit solely by reason of being a holder of ordinary securities in the Company), namely each of the Non-Related Parties (other than those that are related parties of the Company) or an associate of those persons.
Resolution 2 – Amendment to Convertible Notes – Martin Pretty (Equitable Investors)	Equitable Investors and any other person who will obtain a material benefit as a result of proposed amendment to the terms of the Convertible Notes held by Equitable Investors (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 3 – Amendment to Convertible Notes – Anthony Brown (Jarvis Brown)	Jarvis Brown and any other person who will obtain a material benefit as a result of proposed amendment to the terms of the Convertible Notes held by Jarvis Brown (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 4 – Ratification of prior issue of Initial Warrants – Non-Related Parties	A person who participated in the issue of securities being approved, namely each of the Non-Related Parties or an associate of those persons.
Resolution 5 – Issue of Initial Warrants – Martin Pretty (Equitable Investors)	Equitable Investors and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 6 – Issue of Initial Warrants – Daniel Roberts	Daniel Roberts and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 7 – Issue of Initial Warrants – Ryan McCall	Ryan McCall and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 8 – Issue of Initial Warrants – Anthony Brown (Jarvis Brown)	Jarvis Brown and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) 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 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
- 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
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - 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
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company (as convener of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7.00pm (AEDT) on 21 May 2024. This means that any Shareholder registered at 7.00pm (AEDT) on 21 May 2024 is entitled to attend and vote at the Meeting.

4. Direct voting using the Online Meeting Platform

The Company is pleased to provide shareholders with the opportunity to attend and participate in the virtual meeting through an online meeting platform powered by Automic.

Shareholders that have an existing account with Automic will be able to watch, listen and vote online. Shareholders who do not have an account with Automic are strongly encouraged to register for an account as soon **as possible and well in advance of the meeting** to avoid any delays on the day of the meeting. An account can be created via the following link investor.automic.com.au and then clicking on "register" and following the prompts. Shareholders will require their holder number (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**)) to create an account with Automic.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the Meeting.

Voting Virtually at the Meeting

Shareholders who wish to vote virtually on the day of the meeting will need to login to the Automic website (<http://investor.automic.com.au/#/home>) with their user name and password.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the meeting** to avoid any delays on the day of the meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website (<https://investor.automic.com.au/#/home>), click on 'register' and follow the steps. Shareholders will require their holder number (SRN or HIN) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the meeting:

1. Log in to the Automic website (<https://investor.automic.com.au/#/home>) using your user name and password;
2. **Registration on the Day** – if registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
3. **Live voting on the Day** – if live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

For further information on the live voting process please see the Registration and Voting Guide at <https://www.automicgroup.com.au/virtual-AGMs/>.

5. Shareholder questions

Whilst Shareholders will be provided with the opportunity to submit questions online at the Meeting, it would be desirable if the Company was able to receive them in advance.

Shareholders are therefore requested to send any questions they may have for the Company or its Directors at the virtual Extraordinary Shareholders' Meeting to the Company Secretary, Kim Larkin by email to kim.larkin@boardroomlimited.com.au.

Please note that not all questions may be able to be answered during the meeting. In this case answers will be made available on the Company's website after the meeting.

6. Proxies

A Shareholder entitled to attend this Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

1. A proxy need not be a Shareholder.
2. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
3. If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
4. Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
5. A Proxy Form accompanies this Notice.
6. Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit, or abstain from voting.
7. If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
8. The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
9. If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
10. The Proxy Form (together with any relevant authority) must be received by no later than 11:00 am (AEDT) on 21 May 2024 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).
11. The completed Proxy Form may be:
 - 11.1 Mailed to the address on the Proxy Form; or
 - 11.2 Voted online via the Company's Share Registry at <https://investor.automic.com.au/#/home>

7. Voting requirements

Recommendation 6.4 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) and ASX guidance provide that a listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. In accordance with these recommendations, the Chair has determined in accordance with clause 13.16 of the Constitution that all resolutions put to Shareholders at the Meeting will be decided by poll rather than by a show of hands.

In accordance with the Constitution and the ASX Listing Rules, each Resolution put to Shareholders at the meeting must be passed by way of an ordinary resolution which requires the Resolution be approved by a majority of votes cast by Shareholders entitled to vote on the Resolution.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the Meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice convening the Extraordinary General Meeting of Shareholders of Scout Security Limited (**Company**) to be held virtually at 11:00 am (AEST) on 23 May 2024.

This Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the proposed resolutions. Both documents should be read in their entirety and in conjunction with each other.

Background

Convertible Notes

As at the date of this Notice, the Company has 1,475,000 convertible notes on issue, which were issued as follows:

- an initial tranche of 750,000 convertible notes with an aggregate face value of \$750,000 (**Initial Convertible Notes**) were issued in July 2020 under a convertible note deed entered into by the Company and the noteholders on 16 July 2020 (**First Convertible Note Deed**), provided that 175,000 Initial Convertible Notes have been either converted or redeemed since being issued;
 - a subsequent tranche of 500,000 convertibles notes with an aggregate face value of \$500,000 (**Subsequent Convertible Notes**) were issued in October 2021 under the First Convertible Note Deed; and
 - 450,000 convertible notes with an aggregate face value of \$450,000 (**New Convertible Notes**) were issued in December 2021 under a convertible note deed entered into with noteholders in December 2021 (**New Convertible Note Deed**).
- (together, the **Convertible Notes**).

A summary of the holders of Convertible Notes is set out below:

Holder	Initial Convertible Notes ¹	Subsequent Convertible Notes ²	New Convertible Notes ³	Total
Martin Pretty (Equitable Investors)	37,500	25,000	30,000	92,500
Anthony Brown (Jarvis Brown)	18,750	12,500	25,000	56,250
Unrelated investors	518,750	412,500	395,000	1,326,250
TOTAL	575,000	450,000	450,000	1,475,000

Note:

1. Shareholder approval was obtained for the issue of Initial Convertible Notes to Jarvis Brown at the Company's annual general meeting held on 23 December 2020, at which meeting Shareholders also ratified the issue of Initial Convertible Notes to unrelated investors (including to Equitable Investors, who became a related party in connection with the issue of the Initial Convertible Notes).
2. Shareholder approval was obtained for the issue of Subsequent Convertible Notes to Equitable Investors and Jarvis Brown at the Company's annual general meeting held on 20 January 2022, at which meeting Shareholders also ratified the issue of Subsequent Convertible Notes to unrelated investors.
3. Shareholder approval was obtained for the issue of New Convertible Notes to Equitable Investors and Jarvis Brown at the Company's general meeting held on 18 February 2022, at which meeting Shareholders also approved variations to the Initial Convertible Notes and Subsequent Convertible Notes to extend the maturity date to 31 December 2023.

A summary of the terms and conditions of the Convertible Notes is set out in Annexure A and a summary of the terms and conditions of the Convertible Note Deed is set out in Annexure B.

As announced on 29 December 2023, the Company has reached agreement with all holders of Convertible Notes (**Convertible Note Holders**) to extend the maturity date of the Convertible Notes from 31 December 2023 to 31 December 2024, as well as the additional variations set out below:

Roll-Over Terms	Current	New
Note Start	Refer above	1-Jan-24

Note End *	31-Dec-23	31-Dec-24
Coupon	5.0% pa	12.5% pa
Note conversion price per share	The lower of \$0.07 or a 20% discount to any equity issuance during the term, with a \$0.03 floor.	The lower of \$0.025 or a 20% discount to any equity issuance during the term, with a \$0.015 floor.

The proposed extension of Convertible Notes is subject to Shareholder approval and the Convertible Note Holders have agreed to a five month standstill in relation to the Company's obligation to redeem the Convertible Notes to allow the Company to seek the requisition Shareholder approval.

Secured Loan Notes

As announced on 28 April 2023, the Company has entered into a secured debt facility (**Loan Note Facility**) for the issue of loan notes to investors (**Loan Notes**). The Company issued an initial tranche of US\$1.72 million in Loan Notes to various investors on 1 May 2023 (**Initial Loan Notes**), including to directors of the Company. A summary of the terms and conditions of the Loan Note Facility are summarised in Annexure C. As announced on 11 July 2023, the Company obtained a waiver of ASX Listing Rule 10.1 for the grant of security to related parties of the Company under the Loan Note Facility (**Waiver**).

As announced on 21 February 2024, the Company has now obtained further investments under the Loan Note Facility for the raising of an additional US\$200,000 in Loan Notes (**Subsequent Loan Notes**). In accordance with the terms of the Loan Note Facility, the Company has an obligation to issue 15 warrants (exercisable at \$0.05 on or before the date that is 3 years following the issue of Loan Notes) (**Warrants**) for every US\$1 in Loan Note issued.

Warrants were issued to investors in Loan Notes that are not related parties of the Company on 16 February 2024 (which are the subject of Resolution 4 and Shareholder approval for the issue of Warrants to related party investors in Loan Notes are the subject of Resolutions 5 to 8). The Company also sought an update to the Waiver to apply to the Loan Notes issued to related party investors in Loan Notes, which was granted as announced on 12 March 2024.

A summary of the holders of Loan Notes is set out below:

Holder	Initial Loan Notes	Subsequent Loan Notes ²	Total
Daniel Roberts	US\$81,966	US\$5,000	US\$86,966
Martin Pretty	US\$17,847	US\$6,699.33	US\$24,546.33
Ryan McCall	US\$91,050	US\$10,000	US\$101,050
Anthony Brown	-	US\$10,000	US\$10,000
Unrelated investors			US\$2,005,509.99
TOTAL			US\$2,228,072.32

Resolution 1 – Amendment to Convertible Notes – Non-Related Parties

Background

The Company has previously issued 1,475,000 Convertible Notes to Convertible Note Holders on the terms as summarised in Annexure A. A total of 1,326,250 Convertible Notes were issued to investors that are not related parties of the Company (**Non-Related Parties**).

As announced to ASX on 29 December 2023, the Company has reached an agreement with each of the Convertible Note Holders to vary the terms of the Convertible Notes in the manner described in the Background Section of the Explanatory Statement.

ASX Listing Rule 7.1

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 shares it had on issue at the start of that period.

The Background Section of the Explanatory Statement contains a summary of the circumstances in which the Convertible Notes were issued, including where the Convertible Notes were issued using the Company's placement capacity under ASX Listing Rule 7.1.

The effect of the Company issuing the Convertible Notes using its placement capacity under ASX Listing Rule 7.1 is that any issue of Shares on conversion of the Convertible Notes falls within ASX Listing Rule 7.2 Exception 9, which provides that ASX Listing Rule 7.1 does not apply to an issue of securities as a result of the conversion of convertible securities if a company complied with the ASX Listing Rules when the convertible securities were issued.

Shareholder approval for the proposed amendment to the terms of the Convertible Notes is required under ASX Listing Rule 7.1 as an amendment to the terms of a convertible security is treated as a new issue of the Convertible Notes for the purposes of the ASX Listing Rules and does not fall within any of the exceptions set out in Listing Rule 7.2. The deemed new issue of the Convertible Notes exceeds the 15% limit in Listing Rule 7.1 and therefore requires the approval of Shareholders under Listing Rule 7.1.

A secondary effect of receiving Shareholder approval for the amendment to the terms of the Convertible Notes is that ASX Listing Rule 7.2 Exception 9 will apply to any Shares issued on conversion of the Convertible Notes being amended.

Technical Information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Resolution:

- the Convertible Notes were originally issued to institutional and sophisticated investors who were clients of Gleneagle and existing Shareholders of the Company;
- in accordance with paragraph 7.2 of ASX Guidance Note 21, the Company confirms that none of the holders of the Convertible Notes the subject of this Resolution are:
 - (a) related parties of the Company (other than as contemplated by Resolutions 2 and 3), members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (b) will be issued more than 1% of the issued capital of the Company upon conversion of the Convertible Notes,
- the number of Convertible Notes being amended is 1,326,250, being all Convertible Notes held by Non-Related Parties;
- the Convertible Notes were issued on the dates set out in the Background Section of this Explanatory Statement and as subsequently varied;
- if Shareholder approval is received in respect of this Resolution the amendment to the Convertible Notes will take immediate effect.
- the issue price of the Convertible Notes was \$1 per Convertible Note. The Company has not and will not receive any other consideration for the issue of the Convertible Notes and the issue price of Shares issued on conversion of each Convertible Note will be \$0.025 per Share as a result of the proposed amendment the subject of this Resolution, provided that if the Company issues Shares at a lower price during the term of the Convertible Notes, the issue price will be reduced in the manner set out in Appendix A and subject to a floor price of \$0.015 per Share;
- the purpose of the issue of the Convertible Notes was to raise working capital to support go-to-market efforts needed in connection with the Company's white label business which has been accelerated with its white label partners along with funding growth initiatives including additional staffing and funding of its global expansion strategy. The purpose for the proposed amendment of the Convertible Notes is to extend the maturity date of the Convertible Notes from 31 December 2023 to 31 December 2024, as the Company did not have sufficient cash available prior to that date to redeem the Convertible Notes as well as continue to progress its proposed business operations;
- the Shares issued on conversion of the Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- Shares issued on conversion of the Convertible Notes will be issued progressively on conversion, with such Shares to be issued under the exception set out in ASX Listing Rule 7.2 Exception 9;

- A summary of the material terms of the Convertible Notes is set out in Annexure A and the Convertible Note Deed (pursuant to which the Convertible Notes were issued) is set out in Annexure B; and
- the Convertible Notes were not issued under, or to fund, a reverse takeover and the amendment to the Convertible Notes is not being completed in connection with a reverse takeover.

If this Resolution is passed by Shareholders, the amendment to the terms of the Convertible Notes will become effective immediately and the Company will be permitted to issue Shares to the holders of the Convertible Notes on conversion without the Shares utilising the Company's placement capacity under ASX Listing Rule 7.1.

If this Resolution is not passed, the amendment to the terms of the Convertible Notes will not take effect. In these circumstances, the Convertible Notes will remain on issue unamended (i.e. with a maturity date of 31 December 2023) and the Company will be obliged to redeem or convert the Convertible Notes at that time.

Directors Recommendation

Directors recommend that Shareholders vote in favour of this Resolution.

Resolutions 2 and 3 - Amendment to Convertible Notes – Mr Martin Pretty and Mr Anthony Brown

Background

As set out in the Background Section of this Explanatory Statement:

- 92,500 Convertible Notes were issued to Sandhurst Trustees ACF Equitable Investors Pty Ltd ATF Equitable Investors Dragonfly Fund (**Equitable Investors**), an associate of Mr Martin Pretty, Non-Executive Director; and
- 56,250 Convertible Notes were issued to Jarvis Brown Pty Ltd (**Jarvis Brown**), an associate of Mr Anthony Brown, Non-Executive Director.

Both Equitable Investors and Jarvis Brown (**Related Parties**) have agreed to the proposed amendments described in the Background Section of this Explanatory Statement, subject to Shareholder approval being obtained.

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:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- 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.

The amendment to the terms of the Convertible Notes held by the Related Parties constitute giving a financial benefit and the Related Parties are each a related party of the Company by virtue of their being an entity associated with Messrs Martin Pretty and Anthony Brown who are Directors of the Company.

The Directors (other than Messrs Pretty and Brown, who has a material personal interest in Resolutions 2 and 3) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the amendment to the terms of the Convertible Notes as the amendment was negotiated on an arm's length basis and is consistent with the amendment to the Convertible Notes held by Convertible Note Holders that are not related parties of the Company.

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.

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 a related party unless it obtains the approval of its shareholders.

The amendment to the terms of the Convertible Notes falls within Listing Rule 10.11.1 on the basis that it is deemed to be a new issue of the Convertible Notes to Equitable Investors.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to this Resolution:

- (a) the Convertible Notes are held by Equitable Investors and Jarvis Brown (an associate of Messrs Pretty and Brown respectively), who each fall within the category set out in Listing Rule 10.11.1 as a result being an entity associated with a Director of the Company;
- (b) the number of Convertible Notes that are to be amended is:
 - (i) 92,500 (held by Equitable Investors, the subject of Resolution 2); and
 - (ii) 56,250 (held by Jarvis Brown, the subject of Resolution 3);
- (c) If Shareholder approval is received in respect of this Resolution the amendment to the Convertible Notes issued to the Related Parties will take immediate effect;
- (d) Shares issued on conversion of the Convertible Notes issued to the Related Parties will be issued progressively on conversion, with such Shares to be issued under the exception set out in ASX Listing Rule 10.12 Exception 7;
- (e) the issue price of the Convertible Notes was \$1 per Convertible Note. The Company has not and will not receive any other consideration for the issue of the Convertible Notes and the issue price of Shares on conversion of each Convertible Note will be \$0.025 per Share as a result of the proposed amendment the subject of this Resolution, provided that if the Company issues Shares at a lower price during the term of the Convertible Notes, the issue price will be reduced in the manner set out in Appendix A and subject to a floor price of \$0.015 per Share;
- (f) the purpose of the issue of the Convertible Notes was to raise capital and the purpose for the amendment to the Convertible Notes is to extend the maturity date of the Convertible Notes to 31 December 2024;
- (g) the amendment to the Convertible Notes is not intended to remunerate Messrs Pretty and Brown; and
- (h) the Convertible Notes were issued under the Convertible Note Deed. A summary of the material terms of the Convertible Note Deed is set out in Annexure B.

If the Resolution is passed, the amendment to the terms of the Convertible Notes issued to the Related Parties will become effective immediately and the Company will be permitted to issue Shares to the Related Parties on conversion.

If this Resolution is not passed, the amendment to the terms of the Convertible Notes issued to the Related Parties will not take effect. In these circumstances, those Convertible Notes will remain on issue unamended (i.e. with a maturity date of 31 December 2023) and the Company will be obliged to redeem or convert the Convertible Notes at that time.

Resolution 4 – Ratification of Prior Issue of Initial Warrants to Non-Related Parties

On 16 February 2024, the Company issued 5,034,150 Initial Warrants in accordance with the terms of the Loan Note Facility as announced to ASX on 28 April 2023 and 21 February 2024.

The issue of the Initial Warrants did not breach Listing Rule 7.1 at the time of the issue.

Listing Rule 7.1 is summarised in the background section of the Explanatory Memorandum to Resolution 1.

The issue of the Initial Warrants does not fit within any of the exceptions set out in Listing Rule 7.2 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 Initial Warrants.

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 Initial Warrants.

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Initial Warrants.

Technical information required by Listing Rule 14.1A

If Resolution 4 is passed, the Initial Warrants 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 without Shareholder approval over the 12 month period following the date of issue of the Initial Warrants.

If Resolution 4 is not passed, the Initial Warrants 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 Initial Warrants.

Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) the Initial Warrants were issued to unrelated parties of the Company who hold Loan Notes;
- (b) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:
 - (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (ii) issued more than 1% of the issued capital of the Company;
- (c) 5,034,150 Initial Warrants were issued on the terms and conditions set out in Annexure D;
- (d) the Initial Warrants were issued on 16 February 2024;
- (e) the Initial Warrants were issued at a nil issue price pursuant to the terms of the Loan Note Facility. The Company has not and will not receive any other consideration for the issue of the Initial Warrants (other than in respect of funds received on exercise);
- (f) the purpose of the issue of the Initial Warrants was to satisfy the Company's obligations under the Loan Note Facility; and
- (g) the Initial Warrants were issued under the Loan Note Facility. A summary of the material terms of the Loan Note Facility is set out Annexure C.

Resolutions 5 to 8 – Approval to Issue Initial Warrants to Directors

As set out in the Background Section of the Explanatory Statement, the Company has entered into a Loan Note Deed with each of Martin Pretty, Anthony Brown, Daniel Roberts and Ryan McCall (or their associates) which contemplate the issue of the Initial Warrants to each of them subject to receipt of shareholder approval (**Participation**).

Accordingly, Resolutions 5 to 8 seek shareholder approval for the issue of the Initial Warrants to each of Messrs Pretty, Brown, Roberts and McCall (or their nominees) as a result of the Participation.

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.

The Participation will result in the issue of Warrants which constitutes giving a financial benefit. Mr Martin Pretty (and his associate Vigyaz Pty Ltd), Mr Anthony Brown (and his associate Jarvis Brown), Mr Daniel Roberts and Mr Ryan McCall are related parties of the Company by virtue of being Directors or entities associated with Directors of the Company.

The Directors (other than in respect of their own material personal interest in these Resolutions) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issuance of the Warrants the subject of these resolutions as the terms of issuance are identical to the terms offered to all participants (that are not related parties of the Company) in the Debt Facility announced to ASX on 28 April 2023 and as such the giving of the financial benefit is on arm's length terms.

Listing Rule 10.11

A summary of Listing Rule 10.11 is set out in the Explanatory Memorandum to Resolutions 2 and 3 above.

The Participation falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolutions 4 to 8 seek Shareholder approval for the Participation under and for the purposes of Listing Rule 10.11.

Technical information required by Listing Rule 14.1A

If Resolutions 4 to 8 are passed, the Company will be able to proceed with the issue of the Initial Warrants under the Participation within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Initial Warrants in respect of the Participation (because approval is being obtained under Listing Rule 10.11), the issue of the Initial Warrants will not use up any of the Company's 15% annual placement capacity.

If Resolutions 4 to 8 are not approved by Shareholders, the Company will not be able to issue the Initial Warrants.

Technical Information required by Listing Rule 10.13

In accordance with ASX Listing Rule 10.13 the following information is provided to Shareholders:

Recipients of Issue:	<p>The following Directors of the Company:</p> <ul style="list-style-type: none"> i. Mr Martin Pretty; ii. Mr Daniel Roberts; iii. Mr Ryan McCall; and iv. Mr Anthony Brown <p>or their related entities</p>
Maximum number and Class of Securities to be Issued	<ul style="list-style-type: none"> • 100,490 Warrants; • 75,000 Warrants; • 150,000 Warrants; and • 150,000 Warrants.
Material terms of the securities	<p>On exercise of the Warrants, the Shares issued will rank equally with existing Shares.</p> <p>The Warrants are being issued under the Loan Note Facility (summarised in Annexure C) and will have an exercise price of \$0.05 and expire on 01 May 2026.</p>

Date on which the securities will be issued	The Company anticipates issuing the Warrants within 3 business days of the Extraordinary general meeting and in any event no later than 1 month after the date of this Extraordinary General Meeting.
Issue Price	Nil
Purpose of the issue	Funds raised from the exercise of the Warrants will be used to continue to support the Company's working capital.
Terms and Conditions of the Warrants	The terms and conditions of the Warrants are set out in Annexure D.
Voting Exclusion	A voting exclusion statement applies to this item of business as set out in the Notice.

DEFINITIONS

Throughout this Explanatory Memorandum the following various words and phrases are capitalised and the definitions of these capitalised words and phrases are set out below:

"ASIC" means the Australian Securities & Investments Commission;

"ASX" means ASX Limited (ACN 000 943 377);

"ASX Listing Rules" or "Listing Rule" means the Official Listing Rules of the ASX;

"Board" means the Board of Directors of the Company;

"Business Day" means a day on which trading takes place on the stock market of the ASX;

"Chairman" means the Chairman of the Extraordinary general meeting;

"Closely Related Party" of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the member's spouse;
- (c) A dependant of the member or the member's spouse;
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) A company the member controls; or
- (f) A person prescribed by the Corporation Regulations 2001 (Cth).

"Company or Scout Security" means Scout Security Limited ACN 615 321 189 ;

"Constitution" means the Company's Constitution;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Corporations Regulation" means the *Corporations Regulation 2001* (Cth);

"Directors" mean the current Directors of the Company;

"Explanatory Memorandum" means this Explanatory Memorandum as modified or varied by any supplementary Memorandum issued by the Company from time to time;

"Extraordinary General Meeting" means the meeting convened by the Notice of Meeting;

"Initial Warrants" means an initial tranche of warrants issued by the Company upon the issuance of any Note under the Loan Note Agreement as announced to ASX on 28 April 2023.

"**Key Management Personnel**" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

"**Management**" or "**Board**" means the management of the Company;

"**Meeting**" or "**Extraordinary General Meeting**" means the Extraordinary General Meeting convened by this Notice;

"**Notice**" or "**Notice of Meeting**" means the notice convening the Extraordinary General Meeting of the Company to be held on 16 November 2023 which accompanies this Explanatory Memorandum;

"**Proxy Form**" means the proxy form that is enclosed with and forms part of this Notice;

"**Resolution**" means a resolution in the form proposed in the Notice of Meeting;

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

"**Shareholder**" means a registered holder of a Share in the Company; and

"**Warrants**" means a warrant to acquire a Share in the Company on specific terms as outlined within this Notice.

Annexure A

Summary of the key terms of the Company's Convertible Notes

A summary of the key terms of the convertible notes issued under the Convertible Note Deed, as amended in the manner contemplated in this Notice, is set out below:

(a) **Face Value**

Each Note has a face value of \$1.00.

(b) **Maturity Date**

31 December 2023. To the extent Shareholders approve Resolutions 1 to 3, the Maturity Date of the **relevant** Convertible Notes will be extended to 31 December 2024.

(c) **Interest**

5% per annum, payable on drawn funds, accruing daily and payable quarterly.

(d) **Conversion**

Each Note may be converted into one fully paid ordinary share in the capital of the Company at the Conversion Price (below).

(e) **Conversion Price**

To the extent that Shareholders approve Resolutions 1 to 3, the conversion price of the Note will be the lower of:

(i) \$0.025 (currently \$0.07); and

(ii) a 20% discount to any future equity issuance by the Company, provided that the Conversion Price will be no less than the floor price of \$0.015 (currently \$0.03).

(f) **Variation to Conversion Price**

In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the Conversion Price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place holders in substantially the same position as they would have been had no such event occurred.

(g) **Conversion Right**

If a holder elects to convert all or part of a Note into Shares at any time up to and including the Maturity Date then, it may do so by giving a written notice to the Company specifying the number of Notes (or part thereof) the holder intends to convert, the aggregate principal amount of those Notes (which must be a minimum of \$50,000 or any higher integral multiple of \$25,000) (**Specified Principal Amount**) and the applicable Conversion Price.

The number of Shares to be issued on conversion is calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{Specified Principal Amount}}{\text{Conversion Price}}$$

(h) **Redemption**

- (i) The Company must redeem each Note on the Maturity Date.
- (ii) If, within a period ending 30 days prior to the Maturity Date (**Redemption Period**), the Company wishes to redeem all or part of the Notes, it may do so by giving not less than 30 days' notice in writing (**Redemption Notice**) to all of the holders specifying the aggregate principal amount of the Notes that the Company intends to redeem and the number of Notes (or part thereof) of each holder that the Company intends to redeem, provided that the Notes must be redeemed proportionately. On receipt of a Redemption Notice, the holder may elect to convert the Notes into Shares rather than their being redeemed.

Annexure B

Summary of the key terms of the Company's Convertible Note Deed

(a) **Maturity Date**

The maturity date of the Notes is 31 December 2023 (**Maturity Date**).

To the extent Shareholders approve Resolutions 1 to 3, the Maturity Date of the relevant Convertible Notes will be extended to 31 December 2024.

(b) **Face Value**

The face value of a Note is \$1.00.

(c) **Conversion Price**

To the extent that Shareholders approve Resolutions 1 to 3, the conversion price of the Note will be the lower of:

(iii) \$0.025 (currently \$0.07); and

(iv) a 20% discount to any future equity issuance by the Company, provided that the Conversion Price will be no less than the floor price of \$0.015 (currently \$0.03).

(d) **Variation to Conversion Price**

In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the Conversion Price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place holders in substantially the same position as they would have been had no such event occurred.

(e) **Conversion Right**

If a holder elects to convert all or part of a Note into Shares at any time up to and including the Maturity Date then, it may do so by giving a written notice to the Company specifying the number of Notes (or part thereof) the holder intends to convert, the aggregate principal amount of those Notes (which must be a minimum of \$50,000 or any higher integral multiple of \$25,000) (**Specified Principal Amount**) and the applicable Conversion Price.

The number of Shares to be issued on conversion is calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{Specified Principal Amount}}{\text{Conversion Price}}$$

(f) **Redemption**

- (i) The Company must redeem each Note on the Maturity Date.
- (ii) If, within a period ending 30 days prior to the Maturity Date (**Redemption Period**), the Company wishes to redeem all or part of the Notes, it may do so by giving not less than 30 days' notice in writing (**Redemption Notice**) to all of the holders specifying the aggregate principal amount of the Notes that the Company intends to redeem and the number of Notes (or part thereof) of each holder that the Company intends to redeem, provided that the Notes must be redeemed proportionately. On receipt of a Redemption Notice, the holder may elect to convert the Notes into Shares rather than their being redeemed.

(g) **Security**

The Convertible Note Deed is unsecured.

(h) **Interest**

Interest accrues daily on the principal amount as follows:

- (iii) for the period from the date of issue of each of the Notes until 31 December 2023 – 5% per annum; and
- (iv) to the extent Shareholder approve Resolutions 1 to 3, for the period from 1 January 2024 – 12.5% per annum,

and is payable quarterly on the last day of each calendar quarter.

(i) **Default**

In the event of a default that is unremedied for a period of 3 business days, if a number of holders holding collectively more than 50% of the total outstanding aggregate amount of all Notes so agree, the holders may declare at any time by notice to the Company that:

- (i) the entire outstanding aggregate amount of all Notes, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Note Deed or the Notes, is either:
 - (A) payable on demand; or
 - (B) immediately due for payment and payable,and the Company is required to redeem all the Notes;
- (ii) the holders' obligations specified in the notice are terminated; and/or
- (iii) the holders may exercise any or all of their rights, remedies, powers or discretion under the Convertible Note Deed.

(j) **Events of Default**

- (i) (**ASX**): the ASX makes a determination that the terms of the Notes or Options issued in connection with the initial issue of the Notes do not comply with the Listing Rules, including, for the avoidance of doubt, Listing Rule 6.1;
- (ii) (**shareholder approval**): the Company fails to obtain (or maintain) any shareholder, regulatory or other approvals necessary for any transaction contemplated by the Convertible Note Deed;

- (iii) **(failure to issue Shares)**: the Company has not issued Shares to a holder within 5 Business Days of receipt of a Conversion Notice (except where a redemption notice is issued);
- (iv) **(payment)**: the Company fails to pay any amount due under the Convertible Note Deed when due;
- (v) **(performance default)**: failure by the Company to perform any other material obligation, covenant or undertaking under the Convertible Note Deed, excluding payment default, and, in relation to any rectifiable failure, within 14 days following notice by any holder requiring rectification;
- (vi) **(Company warranties)**: the Company is in breach of any of the Company warranties;
- (vii) **(compliance)**: the Company fails to comply with any Listing Rule which results in a material adverse change;
- (viii) **(subsidiaries)**: an entity that is a subsidiary of the Company at the date of the Convertible Note Deed ceases to be a subsidiary of the Company;
- (ix) **(merger)**: the Company consolidates with, merges or amalgamates into or transfers all or substantially all of its assets to any person;
- (x) **(insolvency)**: an insolvency event occurs in relation to the Company or a subsidiary of the Company;
- (xi) **(cross default)**: any indebtedness of the Company or any of its subsidiaries is not paid when due (or within any applicable grace period) or is or becomes due and payable prior to its stated maturity date for any reason;
- (xii) **(attachment)**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its subsidiaries;
- (xiii) **(enforcement)**: a mortgagee, chargee or other encumbrancer takes possession of, exercises rights under any security in relation to, or a receiver, receiver and manager, administrator, liquidator, provisional liquidator or officer of the Court is appointed in relation to, the whole or any substantial part of the property, assets or revenues of the Company or any of its subsidiaries (as the case may be);
- (xiv) **(authorisations)**: any authorisation, approval or consent (including any governmental, regulatory or corporate approval or consent) required for the issue, redemption or conversion of the Notes **(Authorisation)** is not obtained or is suspended, terminated, revoked, withdrawn or expires, modified, restricted or otherwise fails to remain in full force and effect (in whole or in part) in any way unacceptable to the holders;
- (xv) **(winding up)**: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its subsidiaries, or the Company or any of its Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations;
- (xvi) **(unlawful)**: it is or becomes unlawful for:
 - (A) the Company to perform or comply with any one or more of its obligations under any of the Notes or the Convertible Note Deed;
 - (B) the holders as a whole to convert any Notes or hold any Shares, other than because of the operation of clause 10.3(d); or
 - (C) the Company or any of its subsidiaries to carry on all or substantially all of its business or operations;

- (xvii) **(disposal)**: the Company or any of subsidiaries transfers or otherwise disposes of all or substantially all of its business or assets to any person;
- (xviii) **(expropriation)**: any Governmental agency takes any other action which:
 - (A) prevents the Company or any of its subsidiaries or their respective management from conducting all or a substantial part of its business or operations; or
 - (B) deprives the Company or any of its subsidiaries of the use of any material asset;
- (xix) **(audit)**: a material qualification (excluding a qualification that is substantially similar to qualifications included in the Company's financial statements as at 30 June 2019 or 31 December 2019) is made by any auditor appointed by the Company or any of its subsidiaries to audit its financial statements;
- (xx) **(non-Listing)**: Shares cease to be listed on the ASX or are suspended from trading for more than 30 consecutive Trading Days; or
- (xxi) **(material adverse change)**: a material adverse change occurs or is reasonably likely to occur in relation to the Company or any of its subsidiaries, provided that if a holder considers that a material adverse change is reasonably likely to occur, the Company will have a period of 10 trading days to either remedy the circumstances that may result in a material adverse change or satisfy the holder (acting reasonably) that a material adverse change is not likely to occur.

The Convertible Note Deed also contains such other terms as are considered standard for an agreement of this nature (including representations and warranties, indemnities, and confidentiality provisions).

Annexure C - Summary of the key terms of the Company's Loan Note Facility

(a) **Total Commitment**

The total commitments that the Company will be entitled to seek under the Loan Note Facility is US\$4 million.

(b) **Term**

If the Company has not repaid 65% of the principal sum within 30 months following the commencement date, then the Company agrees to issue subsequent warrants and the interest rate will increase to 15.00% per annum.

(c) **Repayments**

Principal payments begin upon the first anniversary of the first issued Note, and are amortised over a period of four years. Any remaining balance shall be due upon the earlier to occur of i) 60 months from the date of issuance, (ii) a change of control or (iii) an Event of Default (defined below).

The Company may prepay the Notes at any time subject to a 1% pre-payment penalty applied to the then outstanding principal balance of the Notes.

(d) **Face Value**

The face value of a Loan Note is \$1.00.

(e) **Interest**

Initially 12.00% per annum, unless increased in accordance with clause (a) above.

(f) **Security**

The Loan Note Facility is secured by way of a general security deed over all of the assets and undertakings of the Company.

(g) **Warrants**

Initial Warrants – an initial tranche of warrants shall be issued upon the issuance of any Note, in a ratio equivalent to \$1 (USD): 15 warrants. These warrants shall be exercisable at \$0.05 AUD per warrant by an Investor for a period of 3 years following the issuance of the Note.

Subsequent Warrants – in the event the Company has not repaid 65% of the principal balance of the Notes within 30 months of their issuance, an additional tranche of warrants shall be issued at a strike price of \$0.07 AUD per share, in a ratio equivalent to \$1 (USD): 10 shares. This tranche shall be exercisable by holder for a period of 3 years following the issuance of the Note.

Warrant issuance is subject to the Company having sufficient capacity under ASX Listing Rule 7.1 for the issuance, or holding the prior approval of its shareholders.

(h) **Change of Control/Maturity Conversion**

At the election of each Note holder or the majority holders, outstanding warrants may be paid out upon the consummation of a sale of the Company by merger, asset or stock sale, or other similar transaction (a "Change of Control"), in which case each then-outstanding warrant will receive the difference between (x) the implied valuation per share on a fully diluted basis and (y) the strike price of the warrant.

(i) **Default**

In the event of a default that is unremedied for a period of 3 business days, if a number of holders holding collectively more than 50% of the total outstanding aggregate amount of all Notes so agree, the holders may declare at any time by notice to the Company that:

- (i) the entire outstanding aggregate amount of all Notes, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Note Deed or the Notes, is either:
 - (A) payable on demand; or
 - (B) immediately due for payment and payable,and the Company is required to redeem all the Notes;
- (ii) the holders' obligations specified in the notice are terminated; and/or
- (iii) the holders may exercise any or all of their rights, remedies, powers or discretion under the Convertible Note Deed.

(j) **Events of Default**

Each of the following is an Event of Default:

- (i) failing to pay interest as determined on each interest repayment date;
- (ii) failing to pay the monies hereby loaned on the repayment date;
- (iii) a change of control occurring in respect of an obligor;
- (iv) if any action is initiated by any competent authority with a view to striking the name of an obligor, any related body corporate or any guarantor off the register of companies;
- (v) a receiver or receiver/manager, administrator, official manager, or similar officer is appointed, or is proposed to be appointed in respect of all or any part of an obligor's assets, property or undertakings;
- (vi) an obligor is unable to pay its debts as and when they fall due;
- (vii) a breach by an obligor of any other of the terms of the Loan Note Deed after receiving 7 days' notice to rectify or remedy that breach and failing to do so within the period of the notice; and
- (viii) the Borrower failing to issue the Warrants to the lender under the conditions outlined in the Loan Note Deed.

Annexure D – Terms and conditions of the Warrants

(a) **Entitlement**

Each Warrant entitles the holder to subscribe for one Share upon exercise of the Warrant.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Warrant will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Warrant will expire at 5:00 pm (WST) on 1 May 2026 (**Expiry Date**). A Warrant not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Warrants are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Warrants may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Warrant certificate (**Notice of Exercise**) and payment of the Exercise Price for each Warrant being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Warrant being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Warrants specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Warrants.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Warrants rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Warrant holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Warrants and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Warrants without exercising the Warrants.

(k) **Change in exercise price**

A Warrant does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Warrant can be exercised.

(l) **Transferability**

The Warrants are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.



Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

SCOUT SECURITY LIMITED | ABN 13 615 321 189

Your proxy voting instruction must be received by **11.00am (AEST) on Tuesday, 21 May 2024**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking 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 SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE:

<https://automicgroup.com.au/>

PHONE:

1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

