SCOUT SECURITY LIMITED
ACN 615 321 189

PROSPECTUS

For an offer of up to 25,000,000 Shares at an issue price of $0.20 per Share to raise $5,000,000 together with an oversubscription offer of up to a further 5,000,000 Shares at an issue price of $0.20 per Share to raise up to a further $1,000,000 (**Public Offer**).

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

This is a Replacement Prospectus dated 23 June 2017. It replaces the replacement prospectus dated 13 March 2017 (which replaced the original prospectus dated 28 February 2017) and the supplementary prospectus dated 26 May 2017 relating to the Securities of Scout Security Limited (ACN 615 321 189).

TABLE OF CONTENTS

1. CORPORATE DIRECTORY

Directors

Proposed Directors

John Strong (Non-Executive Chairman)
Daniel Roberts (Chief Executive Officer)
David Shapiro (Chief Technology Officer)
Anthony Brown (Non-Executive Director)
Sol Majteles (Non-Executive Director)

Current Directors**

Ananda Kathiravelu (Non-Executive Director)
John Moore (Non-Executive Director)
Michael Shaw-Taylor (Non-Executive Director)

Company Secretary

Stuart Usher

Registered Office – Australia

Unit 7, 151 Macquarie Street
Sydney NSW 2000

Telephone: + 61 2 9276 1203

Registered Office – United States

210 North Racine Avenue
Unit 3S
Chicago, IL 60607
United States of America

Telephone: 1-844-287-2688
Email: info@scoutalarm.com
Website: www.scoutalarm.com

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
PO Box 700
West Perth WA 6872

Auditor of the Company

BDO Audit (WA) Pty Ltd
PO Box 700
West Perth WA 6872

Share Registry

Link Market Services *
Central Park
Level 4, 152 St Georges Terrace
Perth WA 6000
Telephone: + 61 1300 554 474
Facsimile: +61 2 9287 0303

Proposed ASX Codes

SCT – Shares

Lead Manager and Corporate Advisor

Armada Capital and Equities Pty Ltd
Suite 7, 55 Hampden Road
NEDLANDS WA 6009

Solicitors in the USA

General Counsel*
Much Shelist, P.C.*
191 North Wacker Drive, Suite 1800
Chicago IL 60606

Corporate Counsel*
Perkins Coie LLP
3150 Porter Drive
Palo Alto, CA 94303

Solicitors in Australia

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditor of Scout Security Inc.

Mueller & Co LLP
1701 N. Randall Rd., Suite 200
Elgin, IL 60123

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

** The current directors of Scout as at the date of this Prospectus will resign at Settlement.

2. IMPORTANT NOTICE

This Prospectus is dated 23 June 2017 and was lodged with the ASIC on that date. This Prospectus replaces:

(a) the supplementary prospectus dated 26 May 2017 (**Supplementary Prospectus**) and;

(b) the replacement prospectus dated 13 March 2017 (**First Replacement Prospectus**) which replaced the original prospectus dated 28 February 2017 (**Original Prospectus**),

relating to the securities of the Company. The ASIC, ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

2.2 Replacement Prospectus

This Prospectus has been prepared to:

(a) update the investigating accountant's report containing audited financial information for Scout for the half-year ended 31 December 2016; and

(b) update details with respect to the capital structure of the Company as a result of the Company undertaking a further seed capital of $300,000 raising through the issue of 1,875,000 Shares at an issue price of $0.16 following lodgement of the First Replacement Prospectus.

The Company will send a copy of this Prospectus to all applicants who have applied for Shares pursuant to the Original Prospectus and First Replacement Prospectus prior to the date of this Prospectus.

2.3 Withdrawal of previous Applications

In accordance with section 724(2) of the Corporations Act, if you applied for Shares under the Original Prospectus or First Replacement Prospectus (**Existing Applicant**), you may withdraw your application and be repaid your application monies, provided you give the Company written notice of your wish to do so before 24 July 2017.

Any repayments made by the Company pursuant to an Existing Applicant exercising their right to withdraw their application will be made in full without interest.

An Existing Applicant who wishes to withdraw their application and obtain a refund must submit a written request to the Company by email or the Company's share registry by delivery or mail to the address set out below so that it is received within 1 month of the date of this Prospectus (i.e. **by close of business on 24 July 2017**).

Share Registry:	**The Company by email to:**
Scout Security Limited C/- Link Market Services Central Park Level 4, 152 St Georges Terrace Perth WA 6000	michael.shaw-taylor@armadacapital.com.au

The details for the payment of the refund cheque and address to which it should be sent as set out in the written request must correspond to the details contained in the Application Form lodged by that Existing Applicant.

If you do not wish to withdraw your application, you do not need to take any action.

2.4 New Applications

Applications for Shares under the Public Offer after lodgement of this Prospectus **must** be made using the Replacement Application Form attached to or accompanying this Prospectus.

Applications after the date of this Prospectus **must not** be made on the Application Form attached to or accompanying the Original Prospectus or First Replacement Prospectus and any such applications will not be valid.

2.5 Conditional Offers

The Offers are conditional on the HOA becoming unconditional (other than the issue of Shares under the Offers). Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of each other part of the Acquisition.

Securities issued under this Prospectus will be issued on the date of settlement of the Acquisition of Scout (**Settlement**). In this regard, if Settlement does not occur, no Securities will be issued pursuant to this Prospectus.

2.6 Web Site – On-line Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at https://scoutalarm.com. If you are accessing the on-line version of this Prospectus, you must be an Australian or Hong Kong resident and must only access this Prospectus from within Australia or Hong Kong. In particular, the on-line version of this Prospectus may not be accessed within the United States.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the on-line Application Form, it was not provided together with the on-line Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.7 Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

2.8 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

3. KEY DATES AND OFFER STATISTICS

3.1 Indicative timetable*

Lodgement of Original Prospectus with the ASIC	28 February 2017
Lodgement of First Replacement Prospectus with the ASIC	13 March 2017
Opening Date of the Public Offer	15 March 2017
Opening Date of the Secondary Offers	15 March 2017
Lodgement of the Supplementary Prospectus	26 May 2017
Lodgement of this Prospectus with the ASIC	23 June 2017
Closing Date of the Public Offer	24 July 2017
Closing Date of the Secondary Offers	24 July 2017
Anticipated date for admission to ASX	31 July 2017

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without prior notice.*

3.2 Key Statistics of the Offers

Shares currently on issue	5,000,001
Shares to be issued under seed capital raising(5)	1,875,000
Offer issue price	$0.20
Shares to be issued under the Public Offer	25,000,000
Maximum Shares to be issued for Oversubscriptions	5,000,000
Shares to be issued to the Scout Stockholders	69,900,000
Performance Shares to be issued to the Key Management	36,000,000
Capital Raising Options to be issued	15,000,000
Director Options	6,000,000
Shares on issue Post-Listing (1)(2)	**106,775,001**
Options on issue Post-Listing(2)(3)	**21,000,000**
Performance Shares on issue Post-Listing (2)(4)	**36,000,000**

Notes:

1. *Assuming the maximum subscription of $6,000,000 is achieved under the Public Offer.*
2. *A detailed capital structure is set out in Section 7.6.*
3. *Further information regarding the terms of the Options is set out in Sections 12.4 and 12.5.*
4. *Further information regarding the terms of the Performance Shares is set out in Section 12.3.*
5. *The Company is in the process of undertaking a seed capital raising under which it will issue 1,875,000 Shares at an issue price of $0.16 per Share to raise $300,000.*

4. INVESTMENT OVERVIEW

This section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further Information
A. Company		
Who is the issuer of this Prospectus?	Scout Security Limited (ACN 615 321 189) (ASX: SCT).	
Who is the Company?	The Company was incorporated on 13 October 2016 for the primary purpose of acquiring Scout, which engages in the business of offering and managing home security products manufactured. The Company entered into a binding Heads of Agreement with the Majority Stockholders of Scout to acquire 100% of the issued capital of Scout.	Sections 7.1 and 11.2
Why is the Company seeking a listing on ASX?	The primary reason for the Company seeking to list on the ASX is to access Australian capital markets to facilitate and accelerate growth of Scout's business. Scout is at a stage in its development where it needs to access capital markets to achieve its next phase of growth and Scout does not believe that alternative funding options afford the same opportunities for Scout as listing on the ASX.	Section 7.2
Who is Scout?	Scout was founded in May 2013 by Daniel Roberts and David Shapiro. Scout has developed a self-installed, wireless home security system that is primarily controlled through a user's smartphone. Scout designs, manufactures and sells a blend of security hardware for home security. Scout's products can be differentiated from those of its competitors as the hardware and software components of its products have been developed simultaneously from the ground up, resulting in a seamless connection between the various components and a simple operating system. Scout has assembled an experienced team of engineers and designers to design and prototype its hardware. The Scout team then works with contracted manufacturers to take those designs and finalise them to be manufactured to scale. Scout's vision is to be the go-to experience for protected and connected home security and related services.	Sections 7.4.1, 7.4.2(e), 7.4.3 and 7.4.5
Who are the key personnel involved in Scout?	The key management personnel of Scout are: (a) **Daniel Roberts – CEO and co-founder**	Section 7.4.2(e)

Item	Summary	Further Information
	As the CEO, Daniel oversees the sales and marketing teams at Scout, along with all design-related activities. In combination with David Shapiro, Daniel sets the strategy of the company and oversees each department outside of the engineering team. (b) **David Shapiro – CTO and co-founder at Scout** As the CTO and head of engineering at Scout, David oversees every aspect of the Scout ecosystem. David is a full-stack developer and works alongside the Scout engineering team, while also overseeing their efforts. David's team is responsible for the creation and development of all Scout software and hardware assets, including; the devices, website, applications, back-end software infrastructure and firmware. David brings both startup and full-stack development experience to Scout as part of his role as CTO. (c) **Arlene Greene – Vice President of Business Development** Arlene helps Scout identify and close key growth partnerships. Arlene is uniquely qualified to help Scout go after these reseller relationships given her network, understanding of the sales cycles, knowledge of industry contract terms and her grasp on the motivations driving reseller partners and their respective businesses. Arlene works on a monthly retainer basis for Scout and the company hopes to bring her on full-time in the future. (d) **Kevin Brennan – Contract COO / Operations** Kevin has over 25 years of experience in the Consumer Electronics Industry and helps with every aspect of the Scout supply chain development. Adept at wearing many hats, Kevin has held senior management positions in consumer electronic corporations, as well as in numerous startups. Kevin assists Scout with selecting manufacturing partners, building out reseller distribution strategies, sourcing components, supply chain audits and supporting sales efforts.	
B. Business Model		
What products does Scout produce?	Scout's product offerings consist of a "hub" that is the brains of the Scout Alarm system, which talks wirelessly to individual sensors with information transmitted to Scout's servers. The sensors that Scout currently has available are as follows: (a) a battery-powered, wireless, passive infrared motion sensor:	Section 7.4.1

Item	Summary	Further Information
	(b) a battery-powered open/close sensor an access sensor for monitoring the opening and closing of windows, doors, cabinets, safes, etc; (c) a battery-powered door panel that detects opening and closing of a door that also includes an RFID reader (radio-frequency identification), which allows users a manual way to arm and disarm the system outside of an app or computer; Scout is party to a dealer agreement with C.O.P.S, which provides wholesale 24/7 monitoring to Scout for use by Scout's customers. Scout is party to arrangements with Amazon Alexa (a voice powered virtual assistant), Google Nest (home automation products), LIFX (wifi enabled lighting) and IFTTT (automation service for all internet connected things) to integrate the services provided by these companies into Scout's product offerings. The Scout Alarm is primarily installed and controlled through a user's smartphone. The system can be armed, disarmed, monitored and permissions managed in Scout's iOS, Android or web app. Scout also have extensions for the Apple Watch, Androidwear and Amazon Alexa-enabled devices. The Company's array of security devices represents the core equipment that a residential home security customer would need to secure their home or apartment. Scout sells its systems and services through its website, Amazon and through reseller and partnership arrangements with third parties.	
How will the Company generate income?	Scout generates income through a combination of selling home security systems and recurring monthly monitoring subscriptions. Scout currently sells its products within the USA and provides monitoring services throughout USA and also in Canada (through its relationship with Samsung SmartThings). Scout home security systems sales allow Scout to receive recurring revenue associated with the 24/7 monitoring and cellular backup subscription plans. While the hardware sales help cover the cost of acquisition of a customer, the recurring revenue and software platform is what will drive the value of Scout's business over time. While a customer could cease subscribing to the Scout services, a majority of the benefits of Scout's system (such as control of the system through a smartphone and provision of monitoring services) would no longer be available to the customer. Effectively, the system would be limited to its functionality as a noise alarm in the event that the system is triggered. In the financial year ended 30 June 2016, Scout received US$1,853,956 in revenue and received an additional	Section 7.4.2(a) and 7.4.2(b)

Item	Summary	Further Information
	$602,263 in revenue in the 6 months ended 31 December 2016.	
How does Scout market and sell its products?	Scout sells its products and services direct through its website and on Amazon.com, a master reseller and online affiliate partner. Scout has also entered into the following contracts or arrangements with third parties for the marketing and sale of its products: (a) a promotion and marketing agreement with Direct Energy (**Direct Energy**) (a retail electricity provider boasting over 5 million North American customers) for the provision of promotion and marketing services to retail energy customers; (b) 24/7 monitoring services contracts with Samsung SmartThings (a company that provides home automation services) under which Samsung SmartThings utilises Scout's monitoring services and servers in its products; and (c) reseller arrangements with various resellers who sell Scout's products on its behalf. As Scout expands, the Company expects to continue to grow its online presence and pursue new reseller arrangements.	Section 7.4.2
What are the key business strategies of the Company?	Growth is the main objective that the Company will focus on following completion of the Public Offer to achieve a market-leading position, increased awareness, secure new partnerships and maintain product-level leadership throughout the USA. In the medium to long-term, Scout will seek to offer its products internationally, including in Australia. Scout's vision is to be the go-to experience for protected and connected home security and related services. The aim is for Scout to develop products which consumers find easy to understand. Scout is positioned at the core of a connected home setup. Everything that Scout does to make home security simple for end users is a building block to being the trusted brand at that core.	Sections 7.2, 7.4.5
Who are Scout's key competitors?	Scout's key competitors can be summarised as follows: (a) Do-it-yourself Security (Direct): Scout competes primarily in the do-it-yourself home security space. (b) Traditional Security (Indirect): Scout competes indirectly with traditional home security providers. Many traditional providers are markedly different from Scout in that they use legacy technology, utilise in-home installers, enforce multi-year contracts and have large all-in costs to the user. (c) Home Automation Platforms (Indirect): There are a number of home automation platforms that offer a	Section 7.4.4

Item	Summary	Further Information
	security equipment bundle, alongside other bundles for energy management and home automation. (d) Home Monitoring (Indirect): Home monitoring companies produce devices that offer a point solution for monitoring specific aspects of the home, but are not generally considered a full-featured security system.	
What are the key dependencies of the Company's business model?	The key factors that Scout will depend on to meet its objectives are: (a) the successful completion of the Public Offer; (b) the successful Settlement of the Acquisition; (c) the continuing ability of the Company to grow outbound marketing and sales efforts with a view to expanding system sales and monthly recurring revenue; and (d) the continuing ability to maintain research and development budgets and talent to develop products and services that allow the business to continue to have a superior product.	Section 7.2
How has Scout been financed to date?	Scout has primarily been financed through ongoing sales efforts, equity fundraising and convertible notes, with limited use of debt funding.	Section 7.4.7
C. Key Investment Highlights		
What are the key investment highlights?	The Existing Directors and Incoming Directors are of the view that key highlights of an investment in the Company include: (a) a fully operational product line, suite of services and back-end infrastructure supporting an existing base of customers; (b) Amazon.com as both an investor through the Amazon Alexa Fund and as a reseller partner; (c) an existing group of reseller partners servicing the retail electricity, home automation and satellite television markets, in addition to online affiliate channels; (d) relationships with Amazon Alexa-enabled products, Google Nest, and Samsung SmartThings; (e) the opportunity for international expansion efforts for the Company through leveraging the technology in markets globally; and (f) a strong management and engineering team that can lead the Company through the next phase(s) of its growth.	Section 7.3

Item	Summary	Further Information
D. Key Risks		
What are the key risks of an investment in the Company?	The business, assets and operations of the Company, including after Settlement, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company. The Incoming Directors aim to manage these risks by carefully planning the Company's activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited. Based on the information available, the key risk factors affecting the Company include: (a) **Contractual Risk**: The ability of the Company to achieve its stated objectives will depend on the performance by the parties (including parties who reside outside Australia) of their obligations under the HOA and Merger Agreement. If, for any reason, the HOA or Merger Agreement is breached by any party, the Acquisition may not proceed in which case the Company will need to evaluate its future strategy. If the Acquisition does not proceed, the Company will not proceed with the Public Offer and will remit Application monies to Applicants (without interest). (b) **Market presence and economies of scale**: Traditional home security providers maintain broad market presence and economies of scale not accessible for smaller players such as Scout. If a larger, better funded company markets or creates a comparable product at a lower price point, this could potentially negatively impact the company's growth. (c) **Market segments**: Scout is targeting a new segment within the home security market, which introduces unknowns, such as potential downward impacts to expected attach rates, retention rates, and customer adoption. The Company may also not have accurately forecasted demand for its product in this market segment, given the unknowns of new market segments. (d) **Manufacturing risks in China**: There is the potential that the company could experience manufacturing difficulties due to international circumstances that are out of their control. If the Company uses a single or limited number of suppliers, they may be at risk of shortage, price increases, changes, delay, or discontinuation of key components, which could disrupt and adversely affect their business. (e) **Seasonality risk**: Scout's operations and revenue experience some seasonality. Quarterly results may	Section 8

vary, and are not necessarily an indication of future performance. The seasonality of Scout's revenue and operations could exacerbate fluctuations due to other factors, including costs of expansion, upgrades to systems and infrastructure, or changes in business or macroeconomic conditions.

(f) **Competition risk**: If competitors develop equal or better products, Scout may be forced to compete on a pricing basis, which could negatively affect their revenue.

(g) **Limited operations**: The Company has limited operations and may be dependent on equity and debt fund-raising and/or dividends and distributions from its subsidiaries, including Scout.

(h) **International operations**: Scout expects to do business around the world at a later date. The Company's operations will therefore be subject to a number of risks inherent in global operations. Additionally, operating an international business with a sales force managed from Australia and with distributorships and sales in a number of legal jurisdictions will necessarily require substantial input from a variety of legal counsel and expose the Company to legal costs that may be disproportionately high relative to its revenues, and will be incurred regardless of whether the Company derives revenues from a given jurisdiction or at all.

(i) **Supply**: The Company may experience delivery delays if its contract manufacturer fails to deliver products. Scout's products are manufactured by one contract manufacturer. There is a risk with working with only one manufacturer, in that termination of the agreement to produce will temporary halt all deliveries until resolved or a new agreement is made with another manufacture.

(j) **Product liability**: Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages being awarded against the Company.

(k) **Dependence on re-seller contracts**: Scout depends on a number of contracts with resellers. The consequences of breach or termination of any of these contracts could, although unlikely, have a material adverse effect on Scout's business, financial condition and results of operations.

(l) **Loss of Customers**: The loss of one or more customers through termination or expiry of contracts may, although unlikely, adversely affect the operating results of the Company.

(m) **Data loss, theft or corruption**: Exploitation or hacking of any of Scout's systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business,

Item	Summary	Further Information
	financial condition and results. Further, if the Company's or Scout's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers. (n) **Foreign exchange**: The Company will be operating in a variety of jurisdictions and, as such, expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. For additional specific risks please refer to Section 8.2. For other general investment risks, many of which are largely beyond the control of the Company and its Directors, please refer to Section 8.3.	
E.	**Directors and Key Management Personnel**	
Who are the Existing Directors and Incoming Directors?	It is proposed that upon Settlement of the Acquisition: (a) Mr Daniel Roberts, Mr David Shapiro, Mr Anthony Brown, Mr John Strong and Mr Sol Majteles will be appointed to the Board; and (b) Mr Ananda Kathiravelu, Mr John Moore and Mr Michael Shaw-Taylor will retire on Settlement. The profiles of each of the Incoming Directors are set out in Section 10. Details of the personal interests of each of the above individuals are set out in Section 10.5.	Section 10
F.	**Financial Information**	
How has Scout been performing?	The historical financial information of Scout for the years ending 30 June 2014, 2015 and 2016 and half-year ended 31 December 2016 and of the Company for the period commencing on 13 October 2016 (the date of the Company's incorporation) and ended 31 December 2016 are set out in the Investigating Accountant's Report in Section 9. As the Company was incorporated on 13 October 2016, it does not have audited financial information for the period ending 30 June 2016. The reviewed pro forma statement of financial position for the Company (assuming settlement of the Acquisition) as at 31 December 2016 is set out in the Investigating Accountant's Report in Section 9. During the financial year ended 30 June 2016, Scout received US$1,853,956 in revenue. However, due primarily to its cost of sales (US$1,718,469) and operating expenses (US$1,507,539), Scout reported a loss of US$1,480,701 for the financial year ended 30 June 2016. Scout also operated at a loss for the 6 months ended 31 December 2016, with a net loss of $820,568.	Section 9

Item	Summary	Further Information
What is the key financial information for the Company?	Refer to the Investigating Accountant's Report in Section 9 for a discussion of the key financial information of the Company and Scout in connection with the Acquisition. Investors should note that past performance is not a guide to future performance.	Section 9
How will the Company fund its activities?	Following Settlement of the Acquisition, the funding for the Company's short to medium term activities will be generated from a combination of its operating cash flows, the money raised under the Public Offer and existing cash reserves of the Company post-Acquisition.	Section 7.5
G. Offers		
What is the purpose of the Offers?	The primary purposes of the Offers are to: (a) assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules; (b) provide the Company with additional funding for development of the Scout Alarm and provide the Company with further working capital; and (c) remove the need for an additional disclosure document to be issued upon the sale of any Shares that are to be issued under the Public Offer by retail investors or the sale of any Consideration Shares issued in consideration for the Acquisition. The Company intends to apply funds raised from the Public Offer, together with existing cash reserves of the Company post-Acquisition, in the manner set out in the table in Section 7.5.	Section 6.3
What is being offered and who is entitled to participate?	The Public Offer is for up to 25,000,000 Shares at an issue price of $0.20 per Share to raise up to $5,000,000 with oversubscriptions being offered up to a further $1,000,000. The Public Offer is open to retail and sophisticated investors in Australia and Hong Kong. The Prospectus also includes an offer of 69,900,000 Consideration Shares in consideration for the acquisition of Scout. Only the Scout stockholders may accept the Consideration Offer.	Section 6
What will the Company's capital structure look like after completion of the Offers and the Acquisition?	(see table below)	Section 7.6

	Shares (min raising)	Shares (max raising)	Performance Shares	Options
Current capital structure	5,000,001	5,000,001	Nil	Nil
Seed Capital Raising	1,875,000	1,875,000	Nil	Nil

<table>
<tr><th>Item</th><th>Summary</th><th>Further Information</th></tr>
<tr><td></td><td>
<table>
<tr><td>Consideration Shares</td><td>69,900,000</td><td>69,900,000</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Public Offer</td><td>25,000,000</td><td>30,000,000</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Performance Shares to Key Management</td><td>Nil</td><td>Nil</td><td>36,000,000</td><td>Nil</td></tr>
<tr><td>Capital Raising Options</td><td>Nil;</td><td>Nil</td><td>Nil</td><td>15,000,000</td></tr>
<tr><td>Director Options</td><td>Nil</td><td>Nil</td><td>Nil</td><td>6,000,000</td></tr>
<tr><td>Capital structure post Acquisition</td><td>101,775,001</td><td>106,775,001</td><td>36,000,000</td><td>21,000,000</td></tr>
</table>
</td><td></td></tr>
<tr><td>What are the terms of the Shares offered under the Offers and to be issued at Settlement of the Acquisition?</td><td>A summary of the material rights and liabilities attaching to:
(a) the Shares offered under the Offers are set out in Section 12.2;
(b) the Performance Shares are set out in Section 12.3;
(c) the Capital Raising Options are set out in Section 12.4; and
(d) the Director Options are set out in Section 12.5.</td><td>Section 12.2 to 12.5</td></tr>
<tr><td>Will any Securities be subject to escrow?</td><td>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities (including some of those issued to shareholders of Scout as consideration for the Acquisition) to be issued may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

The Company estimates that, based on the Company raising the Maximum Subscription under the Public Offer, approximately 65% of the Shares on issue will be escrowed for up to 24 months from the date of Official Quotation. This represents the number of Consideration Shares to be issued to the Scout Stockholders.

However, the final application of ASX imposed escrow will be determined following lodgement of the Prospectus and will be dependent on the amount paid (or deemed to have been paid) by the relevant Shareholder for their Shares, the date they made an investment into the Company or Scout and whether the Shareholders are related parties or promoters of the Company.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</td><td>Section 7.8</td></tr>
</table>

Item	Summary	Further Information
Will the Securities be quoted?	Application for quotation of all Shares to be issued under the Offers (other than those subject to escrow) will be made to ASX no later than 7 days after the date of this Prospectus. The Performance Shares, the Capital Raising Options and the Director Options will not be quoted. However, the Shares issued upon conversion of those Securities will be quoted (subject to any ASX imposed escrow).	Section 6.6
What are the key dates of the Offers?	The key dates of the Offers are set out in the indicative timetable in Section 3.	Section 3
What is the minimum investment size under the Public Offer?	Applications under the Public Offer must be for a minimum of $2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of $200 worth of Shares (1,000 Shares).	Section 6.6
Are there any conditions to the Offers?	The Offers are conditional on the HOA becoming unconditional. If this Condition is not satisfied, the Acquisition and the Offers will not proceed. Shares issued under this Prospectus will be issued on the date of Settlement of the Acquisition of Scout. In this regard, if Settlement does not occur, no Shares will be issued pursuant to this Prospectus.	Section 11.2(c)
H. Use of Proceeds		
How will the proceeds of the Public Offer be used?	Together with existing cash reserves of the Company, the Public Offer proceeds will be used to fund: (a) expenses of the Offers and Acquisition; (b) marketing and sales; (c) inventory production and purchasing; (d) research and development; and (e) working capital needs of the Company.	Section 7.5
I. Additional Information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Securities under the Offers.	Section 6.9
What are the tax implications of investing in Securities?	Holders of Securities may be subject to Australian and United States tax on dividends and possibly capital gains tax on a future disposal of Securities issued under this Prospectus. The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to	Section 6.9

Item	Summary	Further Information
	deciding whether to subscribe for Securities offered under this Prospectus.	
What is the Company's dividend policy?	The policy of the Company will be to invest all cash flow into the business in order to maximise its growth. Accordingly, no dividends will be payable for the foreseeable future following the Company's Listing.	N/A
Where can I find more information?	• By speaking to your stockbroker, solicitor, accountant or other independent professional adviser; • By visiting Scout's website at www.scoutalarm.com; or • By contacting the Company Secretary on +61 8 6380 2555.	N/A

5. LETTER FROM INCOMING CEO

Dear Investor,

On behalf of the future Board of Directors of Scout Security Limited (**Company**), I am pleased to present you with this Prospectus and invite you to become a Shareholder in the Company following the acquisition of Scout Security Inc. (a Delaware C Corporation) by the Company (**Acquisition**).

Following completion of the Acquisition, the Company will focus heavily on growth. As the internet of things (**IOT**) market grows around the globe, Scout has positioned its brand to capture a share of it with what the Company believes is one of the most important use cases for connected devices – home security. Scout's view is that home security offer consumers peace of mind and Scout's own customer base shows that Scout is well positioned to offer affordable home security products.

Over the past three years in the market, Scout has validated demand for its products and services and continues to receive praise for its system. Since inception, Scout has been aggressively focused on growth and, while reporting operating losses during the same period, has aimed to position itself as a leader in smart home security. The Scout system has been reviewed positively by major technology press outlets, online reviewers and amongst the Scout community of users. Within a year of releasing the product, Scout was in the first batch of investments made by the Amazon Alexa Fund – a further testament to the product from a market leader in the connected home space.

Scout has shown that they can acquire customers cost effectively, in addition to the strong organic demand Scout has received since launching their do-it-yourself system. With this transaction, Scout has the opportunity to seize market share and continue to position itself as a leader in the connected home space.

Scout believes it is in a unique position relative to many of its IOT peer companies. While the Company does produce certain devices, it is a software and service company at heart. The monitoring plan subscriptions that Scout attaches to hardware sales give the Company the opportunity to engage paying, high margin customers for the long term. Unlike IOT business with one-off device sales, Scout is building a powerful recurring revenue business backed by a software infrastructure.

The proceeds from the Public Offer will fuel sales, marketing and inventory purchasing power. This will allow the Company to grow the number of systems sold, better serve existing reseller partners and secure new reseller relationships.

This Prospectus contains information about the Company, Scout Security Inc., the Offers and the proposed Acquisition. It also contains detailed information in Section 8 about the potential risks of investing in the Company. I encourage you to read this Prospectus carefully and completely, and consult with your professional advisers if required.

On behalf of the Board, I commend the Public Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely

Daniel Roberts
(Incoming) CEO

6. DETAILS OF THE OFFERS

6.1 The Public Offer

Pursuant to this Prospectus, the Company invites applications for 25,000,000 Shares at an issue price of $0.20 per Share to raise $5,000,000.

The Company may accept oversubscriptions of up to a further $1,000,000 through the issue of up to a further 5,000,000 Shares at an issue price of $0.20 each under the Public Offer. The maximum amount which may be raised under this Prospectus is therefore $6,000,000.

All Shares issued under this Prospectus will be fully paid and will rank equally with all other Shares then currently on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 12.2.

6.2 Secondary Offers

(a) **Consideration Offer**

Consideration Shares

This Prospectus includes an offer of the 69,900,000 Consideration Shares to be issued to the Scout Stockholders pursuant to the HOA in consideration for the acquisition by the Company of the entire issued capital of Scout. The material terms and conditions of the HOA are summarised at Section 11.2 of this Prospectus.

The terms of the Shares offered under the Consideration Offer are summarised in Section 12.2.

Application for quotation of the Shares issued under the Consideration Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 6.7 for further details.

Only the Scout Stockholders may accept the Consideration Offer. A personalised Application Form in relation to the Consideration Offer will be issued to the Scout Stockholders together with a copy of this Prospectus.

The Securities issued under the Consideration Offer may be subject to escrow under the ASX Listing Rules. Please refer to Section 7.8 for a summary of the likely escrow position.

Performance Shares

This Prospectus includes an offer of the 36,000,000 Performance Shares to the Key Management (or their nominees) pursuant to letters of appointment as Directors and Executive Services Agreement. The material terms and conditions of their Executive Services Agreements are summarised at Section 11.5 of this Prospectus.

The terms of the Performance Shares are summarised in Section 12.3.

The Performance Shares issued under the Consideration Offer will not be quoted.

Only the Key Management may accept the offer of Performance Shares. A personalised Application Form in relation to the Performance Shares will be issued to the Key Management together with a copy of this Prospectus.

The Performance Shares may be subject to escrow under the ASX Listing Rules. Please refer to Section 7.8 for a summary of the likely escrow position.

(b) **Capital Raising Options Offer**

This Prospectus includes an offer of 15,000,000 Capital Raising Options to be issued to Armada Capital and Equities Pty Ltd (**Armada Capital**) (or their nominees) pursuant to the Armada Capital Mandate in consideration for introducing and facilitating the Acquisition and Capital Raising. The material terms and conditions of the Mandate are summarised at Section 11.4 of this Prospectus.

The terms of the Capital Raising Options are summarised in Section 12.4.

The Company will not apply for quotation of the Capital Raising Options.

Only the nominees of Armada Capital may accept the Capital Raising Options Offer. A personalised Application Form in relation to that offer will be issued to the nominees of Armada Capital together with a copy of this Prospectus.

The Capital Raising Options may be subject to escrow under the ASX Listing Rules. Please refer to Section 7.8 for a summary of the likely escrow position.

(c) **Director Options Offer**

This Prospectus includes an offer of 6,000,000 Options to proposed Directors, Andrew Brown, Sol Majteles and John Strong (or their nominees). The issue of the Options were agreed on arms' length terms. The terms of the Director Options are set out in Section 12.5.

The Company will not apply for quotation of the Director Options.

Only Messrs Brown, Majteles and Strong may accept the Director Options Offer. A personalised Application Form in relation to this offer will be issued to Messrs Brown, Majteles and Strong together with a copy of this Prospectus.

The Director Options may be subject to escrow under the ASX Listing Rules. Please refer to Section 7.8 for a summary of the likely escrow position.

6.3 Purpose of the Offers

The primary purposes of the Offers are to:

(a) assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules;

(b) provide the Company with additional funding for development and marketing of the Scout Alarm and provide the Company with further working capital; and

(c) remove the need for an additional disclosure document to be issued upon the sale of any Shares that are to be issued under the Public Offer by retail investors or the sale of any Consideration Shares issued in consideration for the Acquisition.

The Company intends on applying the funds raised under the Public Offer along with its current cash reserves post-Acquisition in the manner detailed in Section 7.5.

6.4 Minimum subscription

The Public Offer is subject to a minimum subscription of $5,000,000 (**Minimum Subscription**). If the Minimum Subscription has not been raised within four months after the date of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

6.5 Applications

Applications for Securities under the Offers must be made using the relevant Application Form.

By completing an Application Form, each Applicant under the Offers will be taken to have represented, warranted, agreed and acknowledged as follows:

(a) that all details and statements made by them are complete and accurate;

(b) that they have personally received the Application Form together with a complete and unaltered copy of the Prospectus;

(c) they agree to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offers;

(d) they understand that the Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US State securities laws;

(e) they are not in the US other than where they are applying for Shares under the Consideration Offer or the Performance Share Offer;

(f) they have not sent and will not send the Prospectus or any other material relating to the Offers to any person in the US; and

(g) they will not offer or sell the Securities in the US or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Securities are offered and sold.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5.00pm (WST) on the Closing Date**, which is currently scheduled to occur on:

(a) in respect of the Public Offer –24 July 2017; and

(b) in respect of the Secondary Offers – 24 July 2017.

Applications under the Public Offer must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form.

The Company will also accept payment on a delivery versus payment (**DvP**) basis, provided that Shares under the Public Offer will be issued at the same time as all other Securities are issued upon Settlement. Please contact your broker if you wish to pay for Shares under the Public Offer on a DvP basis.

Where no issue is made under the Public Offer, Application monies will be refunded (without interest) to the Applicants as soon as practicable after the Closing Date.

The Company reserves the right to close the Offers early.

If you require assistance in completing an Application Form, please contact the Company Secretary on +61 8 6380 2555.

6.6 Minimum Application Amount

Applications under the Public Offer must be for a minimum of $2,000 worth of Shares (100,000 Shares) and thereafter, in multiples of $200 worth of Shares (10,000 Shares).

6.7 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus was made on 3 March 2017. The Company will not seek ASX listing for the Capital Raising Options, the Performance Shares or the Director Options offered under this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

6.8 Issue

Subject to the minimum subscription to the Public Offer being reached (See Section 6.4 above) and ASX granting conditional approval for the Company to be admitted to the Official List, the issue of the Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors and Armada Capital will determine the recipients of the issued Securities in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Securities than the number applied for. Where the number of Securities issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

6.9 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of Shares from a taxation viewpoint and generally.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus or the reliance of any Shareholder on any part of the summary contained in this Section 6.9 or Section 12.7.

Due to the circumstances of the Company's formation, the Company is treated as a U.S. corporation for U.S. tax purposes, and is therefore subject to U.S. tax laws. Please refer to Section 12.7 for further details.

No brokerage, commission or duty is payable by applicants on the acquisition of Securities under the Offers.

6.10 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia or Hong Kong may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia or Hong Kong. Applicants who are resident in countries other than Australia or Hong Kong should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia or Hong Kong it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

6.11 United States securities law matters

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Securities have not been, and will not be, registered under the US Securities Act of 1933, as amended (the **US Securities Act**), and may not be offered or sold in the United States or to, or for the account or benefit of US Persons as defined in Regulation S under the US Securities Act or an exemption is available from the registration requirements of the US Securities Act.

6.12 Underwriting

The Public Offer is not underwritten.

6.13 Enquiries

Any questions concerning the Company or the Public Offer should be directed to the Company at +61 8 6380 2555.

7. COMPANY OVERVIEW

7.1 Background

The Company was incorporated on 13 October 2016 for the primary purpose of acquiring Scout Security, Inc. (**Scout**) and engaging in the business of offering home security products manufactured by Scout globally, as well as managing and operating Scout's business.

Scout is a United States (Delaware) company that was formed on 1 May 2013 for the primary purpose of developing a self-installed, wireless home security system that is more modern, open and affordable. Scout aims to be the go-to experience for protected and connected home security and related services customised for the home.

On 12 December 2016, the Company entered into a binding Heads of Agreement (**HOA**) (which was subsequently amended on 27 February 2017) with the majority stockholders (**Majority Stockholders**) of Scout Security Inc. (a Delaware "C-Corporation") (**Scout**) under which the Company will acquire 100% of the issued capital of Scout (**Acquisition**).

In consideration for the Majority Stockholders agreeing to the Acquisition, the Company will issue the Consideration Shares to the holders of common stock of Scout (**Stockholders**) and the Performance Shares to the Key Management.

A summary of the material terms of the HOA is set out in Section 11.2.

7.2 The Objectives

The primary reason for the Company seeking to list on the ASX is to access Australian capital markets to facilitate and accelerate growth of Scout's business. Scout is at a stage in its development where it needs to access capital markets to achieve its next phase of growth and Scout does not believe that alternative funding options afford the same opportunities for Scout as listing on the ASX.

Scout has validated demand for its products and services and shown that it can acquire customers cost effectively. More specifically, the Company aims to achieve the following objectives as it grows:

(a) capture a market-leading position: properly capitalised, Scout believes it has the opportunity to position itself as a market leader in the do-it-yourself (**DIY**) home security market over the coming years. The DIY home security market and IOT are both nascent markets that show incredible potential. Being a market leader at the intersection of these two markets over the next few years may prove to be lucrative for whichever brand seizes the opportunity;

(b) increase awareness: with the capital raised in this transaction, Scout will be able to grow outbound marketing and sales efforts with a view to aggressively expand system sales and monthly recurring revenue. These marketing efforts are intended to raise awareness of the Scout product line, brand and will allow Scout to augment the strong organic demand seen over the past few years;

(c) secure new partnerships: Scout has been effective in bringing on and forging major reseller partner relationships to-date which can be seen through its established relationships with Direct Energy and DSI. That said, capital constraints have limited flexibility on inventory ordering, partner terms and have extended the sales cycle. Moving forward, the funds raised in this transaction will allow Scout to expand partner outreach efforts and compete more effectively. With more flexibility around inventory ordering, partner terms and talent to pursue deals, Scout feels that it can increase its effectiveness in securing new reseller partners; and

(d) maintain product-level leadership: CNet[1] named Scout's security system as "Best DIY Security System" in 2017. Scout intends to maintain its leadership in creating best-in-class home security and connected devices that drive recurring revenue. With the funds raised, Scout will be able to maintain research and development budgets for products and services that allow the business to continue to have the best product available for home security and connected home customers.

7.3 Key Investment Highlights

The Directors are of the view that key highlights of an investment in the Company include:

(a) a fully operational product line, suite of services and back-end infrastructure supporting an existing base of customers;

(b) Amazon.com as both an investor through the Amazon Alexa Fund and as a reseller partner;

(c) an existing group of reseller partners servicing the retail electricity, home automation and satellite television markets, in addition to online affiliate channels;

(d) relationships with Amazon Alexa-enabled products, Google Nest, and Samsung SmartThings;

(e) the opportunity for international expansion efforts for the Company through leveraging the technology in markets globally; and

(f) a strong management and engineering team that can lead the Company through the next phase(s) of its growth.

7.4 Business Model

7.4.1 Nature of Scout's business

Scout has developed a self-installed, wireless home security system and aims to make security more modern, open and affordable.

Scout designs, manufactures and sells a blend of security hardware, representing the core devices that the average householder would need to secure their home. Scout has created a "hub" that is the brains of the system. The hub talks wirelessly to the individual sensors (motion sensors and access sensors) around the house and out to the Scout servers.

---

[1] https://www.cnet.com/au/products/scout-home-security-system/review/ - CNet tracks all the latest consumer technology breakthroughs and shows what's new, what matters, and how technology can enrich people's life. CNet gives information, tools, and advice that will help a person decide what to buy and how to get the most out of the technology.

The motion sensor is a battery-powered, wireless PIR (passive infrared) motion sensor that can be mounted, or stand on a shelf. It detects motion up to 25 feet (approximately 8 metres) away, with a 90 degree field of view.

The access sensor is an open/close sensor that is primarily for monitoring the opening and closing of windows, but it can always monitor anything that opens and closes (doors, cabinets, safes, etc.). This device is battery-powered and includes multiple detection methods. Primarily, it uses a magnet and a Reed Switch to detect opening and closing. Scout's updated version 1.5 motion sensor includes an accelerometer for enhanced detection and a temperature sensor. These features are expected to be activated within six months.

The Scout door panel is similar to the access sensor, in that it detects opening and closing of a door by the same methods. But, the door panel is also an RFID reader (radio-frequency identification), which allows users a manual way to arm and disarm the system outside of an app or computer. The door panel also boasts a redundant 106 decibel siren, so that there are multiple sirens in the home.

Scout is primarily installed and controlled through a user's smartphone. The system can be armed, disarmed, monitored and permissions managed in Scout's iOS, Android or web app. Scout also has extensions for the Apple Watch, Androidwear and Amazon Alexa-enabled devices. All of these systems are then run by Scout's software platform.

Scout integrates with home security and home automation companies as well. In 2015, Scout integrated the services of Amazon Alexa (voice powered virtual assistant), Google Nest (home automation products), LIFX (wifi enabled lighting) and IFTTT (automation service for all internet connected things) into its product offerings. These brands represent what the Company believes are best of breed in home automation and monitoring, in the eyes of Scout, giving its customers flexibility in how they secure their home.

7.4.2 *Significant dependencies*

(a) **Important contracts and customers**

Provision of Monitoring Services to Scout

Scout is also a party to a dealer agreement dated 18 June 2014 with Lydia Security Monitoring Inc., trading as C.O.P.S. Monitoring and Alarmwatch (**C.O.P.S**). The C.O.P.S. team help Scout navigate security regulations, permits, licensing and insurance considerations within the security industry in North America. C.O.P.S. is a listed USA monitoring centre and also provides wholesale 24/7 monitoring to Scout as a vendor. The Company is required to pay standard charges for services and equipment used by the Company. The agreement automatically renews on a yearly basis unless terminated by either party.

Promotion and marketing services

On 22 May 2015 Scout entered into a pilot program agreement with Direct Energy under which Direct Energy provided promotion and marketing services for Scout of its products to new and existing retail energy customers. Direct Energy is one of North America's largest retail providers of electricity, natural gas, and home and business energy-related services with nearly five million customers.

This partnership allowed the Company to start branching beyond early technology adopters and into the mass market. Direct Energy paid fees to Scout for their products and for shipping those products. In the event Scout offered other additional products and services to customers of Direct Energy (with Direct Energy's consent) and those customers become customers of Scout, Scout agreed to pay a co-marketing fee to Direct Energy which is determined by:

(i) Scout selling its products to Direct Energy at wholesale prices and permitting Direct Energy to on-sell Scout's products to its customers at the recommended retail price; and

(ii) Scout paying a share of revenue from its monitoring services to Direct Energy.

This agreement was for the period 22 May 2015 to 22 May 2017. Scout has not signed a new contract with Direct Energy and they have not provided any written notice to end the contract. Direct Energy still has inventory that was purchased from Scout and has looked at a variety of ways to move through that inventory. Scout does not expect that another inventory order is upcoming, as Direct Energy still have Scout inventory and are considering their smart home strategy generally. Scout continues to discuss a variety of ways that it can work with Direct Energy and any future contractual arrangements may or may not include further inventory orders in the future.

Provision of Monitoring Services by Scout

Scout has 24/7 monitoring service contracts with Samsung SmartThings and Wink on top of their hardware platforms. Samsung SmartThings and Wink are involved in the provision of products and services for a 'smart home'. Scout has relationships with these service providers to provide their monitoring services through Scout's servers and provide to provide the additional services that are provided to Scout by C.O.P.S. While an agreement has been signed with Wink, Scout has not yet commenced providing services to Wink.

These contracts represent the idea of "monitoring-as-a-service," which allows Scout to sell recurring monitoring subscriptions without having to sell hardware. In addition to Scout direct sales, these MAAS relationships represent the opportunity to add to recurring revenue through services, without having to always be the hardware vendor of record. In consideration for the provision of these services, Scout pays to Samsung SmartThings and Wink a share of the revenue earned by Scout from its monitoring services. These contracts may either be terminated with cause by a party giving 30 days' written notice to another party or at any time, depending on the nature of the contract.

Scout does not believe that the termination of any one or more of these contracts referred above, although unfortunate, would be significantly detrimental to Scout nor materially adverse to Scout's business over the long term. In the event that a number of contracts are terminated at once Scout would seek to re-negotiate with other parties who can provide similar services.

Re-seller Arrangements

Scout has entered into a number of referral agreements with various resellers, including Amazon. Scout reseller arrangements are non-exclusive. In most cases, resellers agree to a minimum order quantity (**MOQ**) in exchange for preferential pricing. Scout resellers receive wholesale pricing and a revenue share of service proceeds for selling Scout products. Terms of the referral agreements are generally one (1) year minimum from the effective date and most auto-renew for successive one-year periods. In the event of insolvency of either party, the reseller agreements are able to be terminated immediately. Contracts are typically able to be terminated by either party with 30-60 days' notice to the other party. Scout's payment obligations do not cease with the termination of reseller contracts.

These existing channel relationships are just the start of potential Scout sees in the business by positioning itself at the core of a smart home. Aggressively selling through a combination of these channels gives the Company the opportunity to create a formidable recurring revenue business over the course of time.

Scout does not believe that the termination of any one or more of these contracts referred above, although unfortunate, would be significantly detrimental to Scout nor materially adverse to Scout's business over the long term. In the event that a number of contracts are terminated at once Scout would seek to re-negotiate with other parties given the demand for its products and services and the nature of Scout's business.

Warehousing services

Scout entered into distribution agreements with DSI Distributing (**DSI**) (one of the larger distributors of satellite television in the USA) and OIA Global Logistics SCM (**OIA**) (**Distributors**). Scout will not use DSI going forward. However, DSI will remain as a reseller partner. OIA will provide Scout with warehousing services including storing, packaging, shipping and parcel management (**Distributor Services**). Scout will pay the OIA standard rates for the Distributor Services. The OIA contract is due for renewal within the next 12 months. However, Scout has no reason to believe that it will not renew the contract and it intends to continue its relationship with OIA going forward.

Development, Manufacturing and Supply

Scout's products are currently manufactured in China under an automatic renewal agreement. The Company is negotiating with a new Chinese manufacturer for the development, manufacturing and supply of electro-acoustic components, electric accessories, smart wearable, and related products.

(b) **How Scout generates income**

Scout generates income through a combination of selling home security systems and recurring monthly monitoring subscriptions. At present, the security systems are sold by Scout directly to customers in the USA, with its monitoring services extended into Canada through its relationship with Samsung SmartThings.

The Company's array of security devices represents what Scout believes to be the core equipment that a residential home security customer would need to secure their home or apartment. Combined with 24/7 monitoring and cellular backup subscription options, Scout systems offer the safety and security of a traditional home security system at a price point that is accessible to the mass market consumer.

Scout sells these devices and services direct through its website, on Amazon.com, a master reseller and online affiliate partner. As Scout expands, the Company expects to continue to grow its online presence and pursue new reseller arrangements. Scout is currently in talks with multiple multi-national utilities, telecommunications companies and affiliate networks to add to its line-up of existing channel partners. Over the next 12 months, Scout will seek to increase its market share in the USA. Scout then intends to market its products and services into other international markets, including Australia.

With Scout's Amazon Alexa, Google Nest and Samsung SmartThings relationships, Scout is able to facilitate interoperability in the smart home. By allowing Scout devices to work seamlessly with some of the most popular home automation devices on the market, Scout is able to appeal to customers across the spectrum of the smart home. If the connected home market expands to reach mass market adoption, this interoperability is expected to be a catalyst of additional sales. Google Nest's partner homepage (Works with Nest) is already a meaningful driver of referral traffic sales for Scout.

Recurring monthly subscription revenue grows as more Scout systems are sold. Scout is not explicitly a hardware company, nor does it want to be. Scout sells home security systems to get to the recurring revenue associated with the 24/7 monitoring and cellular backup subscription plans. While the hardware sales help cover the cost of acquisition of a customer, the recurring revenue and software platform is what will drive the value of Scout's business over time.

(c) **Business model description-pricing**

Scout is a recurring revenue business. Scout offers a cellular backup subscription plan for US$9.99 per month and a 24/7 police dispatch subscription for US$19.99 per month. These plans can also be purchased on an annual basis at a discount.

Prior to 1 January 2016, consumers were not required to sign up to a subscription plan. However, as of 1 January 2016, consumers are required to have one of the two subscription plans. Thus, Scout currently attaches 100% of customers to a plan at the time of checkout. While a customer could cease subscribing to the Scout services, a majority of the benefits of Scout's system (such as control of the system through a smartphone and provision of monitoring services) would no longer be available to the customer. Effectively, the system would be limited to its functionality as an alarm in the event that the system is triggered.

These subscriptions are a part of the overall Scout system, sitting on top of the associated hardware purchase that users make to physically monitor their homes. Scout's average hardware order is US$420. Each order is specifically catered to the end user's security needs because each buyer is walked through Scout's online system builder. The Scout hub retails for US$129. The Scout Door Panel retails for US$69. The Scout Motion Sensor and Access Sensor retail for US$49 and US$29, respectively. This core hardware is what Scout believes gives consumers a best-in-class home security experience. The recurring revenue from services is what drives Scout's value as a business.

Once Scout is in the home and the consumer is comfortable with Scout, it has the opportunity to introduce and sell additional products and services as the core, trusted brand experience.

(d) **Intellectual property**

The Company currently holds three design patents (USD728395, USD744883 and USD744884) in the United States relating to the industrial design of Scout's Hub, Motion Sensor and Door Panel. These design patents, although important, are not fundamental and Scout do not rely on their enforceability to ensure the success of Scout's business. The design patents will ensure that other companies will not create, nor market a home security device that looks like a Scout product. The design patents also ensure that customs agents can identify any potential knockoffs of Scout devices flowing in from foreign countries.

Scout holds a trademark (serial number 86359377) related to the wolf logo. The trademark is the Scout wolf logo in a circle, which Scout uses across various branding efforts - most notably as the iOS app icon and prominently on the Scout packaging.

Scout is currently awaiting approval on a trademark application it submitted for the phrase "home security. simplified." Opposition applications for the trademark were required to be lodged by 12 January 2017. However, no such oppositions were lodged. The Company expects said trademark to be approved in the near future.

(e) **Key personnel**

Set out below are the key personnel of Scout. Further details in relation to their qualifications and experience are set out in Section 10:

Key Team Members

(i) Daniel Roberts – CEO and co-founder at Scout.

As the CEO, Daniel oversees the sales and marketing teams at Scout, along with all design-related activities. In combination with David Shapiro, Daniel sets the strategy of the company and oversees each department outside of the engineering team.

(ii) David Shapiro – CTO and co-founder at Scout

As the CTO and head of engineering at Scout, David oversees every aspect of the Scout ecosystem. David is a full-stack developer and works alongside the Scout engineering team, while also overseeing their efforts. David's team is responsible for the creation and development of all Scout software and hardware assets, including; the devices, website, applications, back-end software infrastructure and firmware. David brings both startup and full-stack development experience to Scout as part of his role as CTO.

(iii) Arlene Greene – Vice President of Business Development

Arlene helps Scout identify and close key growth partnerships. Arlene is uniquely qualified to help Scout go after these reseller relationships given her network, understanding of the sales cycles, knowledge of industry contract terms and her grasp on the motivations driving reseller partners and their respective businesses. Arlene works on a monthly retainer basis for Scout and the company hopes to bring her on full-time in the future.

(iv) Kevin Brennan – Contract COO / Operations

Kevin has over 25 years of experience in the Consumer Electronics Industry and helps with every aspect of the Scout supply chain development. Adept at wearing many hats, Kevin has held senior management positions in consumer electronic corporations, as well as in numerous startups. Kevin assists Scout with selecting manufacturing partners, building out reseller distribution strategies, sourcing components, supply chain audits and supporting sales efforts.

7.4.3 Supply Chain overview

Design: Scout designs and prototypes its hardware in the USA using a combination of in-house and contracted embedded engineers, electrical engineers, mechanical engineers and industrial designers. The Scout team then works with its contract manufacturer in China to take those designs and finalise them to be manufactured at scale. Once Scout goes through the design-for-manufacturing process (**DFM**), the final designs are submitted to the various certification bodies necessary to certify Scout's equipment. Scout has received FCC, IC, CE and PTCRB certifications[2] for equipment in the past and will continue to pursue these certifications as-needed and, when relevant, for future versions of the product. All software (apps, website, back-end systems, etc.) related to the product is created in the USA with Scout employees and contractors.

Manufacturing: Scout partners with a contract manufacturer in China, where the actual manufacturing takes place. A summary of the manufacturing contract is set out in Section 11.1. This manufacturer has a staff of highly-qualified engineers assisting Scout through every stage of the production process, from inception to final product. Everything from component sourcing to final assembly of the devices happens under one roof at the contract manufacturer's facility before being shipped to port for international transit. While Scout is in the process of seeking to engage a new manufacturer in China, Scout will ensure that the manufacturing process meets its high standards with any manufacturer it engages.

Shipping and Warehousing: Once the Scout product is built, third party logistics provider (**3PL**) and/or reseller partners take over to get the product from the port in China to their respective warehousing facilities. For Scout's direct inventory, Scout utilises its 3PL as a freight forwarder, as well. The 3PL picks up Scout inventory

[2] **FCC** – (Federal Communications Commission): certification mark employed on electronic products manufactured or sold in the United States which certifies that the electromagnetic interference from the device is under limits approved by the Federal Communications Commission; **IC** (Industry Canada) IC is Canada's equivalent approval of Unites State's FCC; **CE** (Conformité Européene) CE marking indicates that the manufacturer or importer claims compliance with the relevant EU legislation applicable to a product, regardless of where manufactured; and **PTCRB** - certification forum by select North American cellular operators. The purpose of the PTCRB is to provide the framework within which certain device certifications can take place for members of the PTCRB.

in the relevant port and manages shipping all the way through to their warehousing facility in Portland, Oregon. Scout's inventory is housed in Portland. Scout ships to customers direct and bulk-ships product to Amazon out of the Portland facility. Some reseller partners also engage Scout to handle freight forwarding, warehousing and drop shipping for their orders. One partner, in particular, chooses to handle their own freight forwarding, warehousing and drop shipping to their dealer network. Scout's supply chain is specifically designed to be flexible in the number of ways that it can sell and distribute products.

Reverse Logistics: All returns, replacements and reverse logistics are handled through Scout's Chicago location by the Scout customer experience team. Scout keeps a small amount of inventory on-hand at its headquarters to fulfil these functions.

7.4.4 Competition overview

Do-it-yourself Security (Direct): Scout competes primarily in the do-it-yourself home security space. Scout's main competitor is Simplisafe. Other companies include iSmartAlarm and Oplink. There are a handful of crowdfunding projects coming into market, but most have not yet reached market or are nascent product offerings. While many in the DIY space are white-labelling products from Chinese manufacturers, or leveraging technology from the early 2000s, Scout has built its product from the ground up with the latest technology and integrations. Scout believes the key to winning this market is not the devices Scout produces, but the end-to-end customer experience and service it provides. Winning in the DIY security market is about establishing a trusted brand. By heavily curating the devices and platforms Scout integrates with, Scout offers only the best-of-breed compatibility, so that it cuts through the noise of IOT - instead of adding to it. A simple, intuitive and trusted brand is what will rise above the noise and Scout believes it is that brand.

Traditional Security (Indirect): ADT, Vivint and Protection 1(recently merged with ADT) are representative of traditional home security companies that Scout competes with indirectly. Many traditional providers are markedly different from Scout in that they use legacy technology, utilise in-home installers, enforce multi-year contracts and have large all-in costs to the user. Comcast and AT&T have also entered into this arena. While their contracts of Comcase and AT&T are typically one year shorter, Scout believes they are effectively offering a similar product to ADT, Vivint and Protection 1. Scout aims to reach non-consumers of traditional security and Scout sees itself as growing the security market, rather than going head-to-head with these providers.

Home Automation Platforms (Indirect): There are a number of home automation platforms that offer a security equipment bundle, alongside other bundles for energy management and home automation. Companies in this segment of the market include Samsung SmartThings, Wink and Lowe's Iris. While some of the sensors have similar functionally to Scout's, these companies view themselves primarily as home security providers. For that reason, Scout actually has relationships with organisations such as Amazon, Google Nest and Samsung SmartThings. SmartThings started offering Scout 24/7 monitoring on top of their platform in December of 2015. Scout believes these players are attempting to establish themselves as the go-to smart home platform layer. By establishing themselves as the platform of record, they can share in revenue across service providers and device makers (such as Scout), instead of competing directly with each point solution in the smart home. Scout views this group as complementary to Scout and offers us a chance to sell its MAAS offering.

Home Monitoring (Indirect): Home monitoring companies produce devices that offer a point solution for monitoring specific aspects of the home, but are not generally considered a full-featured security system. Some example companies in this space include August, Ring and Leeo. August's main product is a connected door lock. Ring utilises cameras to allow users to visually keep tabs on things outside the home. Leeo allows users to bridge their legacy smoke detectors into the connected home, but chooses only to address smoke and carbon monoxide detection. These products are generally great home monitoring solutions, but are not necessarily security systems.

7.4.5 *Scout's strategy and plans*

Scout's vision is to be the go-to experience for protected and connected home security and related services. Security, Scout believes, is a Trojan horse into the connected home solving a known problem that people will pay for. Having home security be the focus of its product offering is core to this mission. By focusing on a true problem, instead of connectivity for connectivity sake, Scout is in a position to deliver a solution that consumers will value over the long term.

Once installed, a home security system is a product that active users may be interfacing with at least twice daily to arm and disarm their home. Because of this unique relationship with security, Scout is afforded the chance to engage with its active users often. Once comfortable with the Scout product, its product integrations offer the chance for users to explore the best-in-class IOT devices on the market. By understanding how those devices interact with Scout and what's possible, users are likely to become gradually more sophisticated about their connected home. Scout would have an opportunity to sell additional products and services arising through the trust that is built.

With a myriad of connected devices entering the realm of IOT, the aim is for Scout to develop products which consumers find easy to understand. Scout can be that product. When Scout is that product, Scout is positioned at the core of a connected home setup. Everything that Scout does to make home security simple for end users is a building block to being the trusted brand at that core.

7.4.6 *Corporate Structure*

Scout Security Inc. was formed as a Delaware C Corporation and following completion of the Merger, will be wholly owned by the Company. A Delaware C Corporation is the typical vehicle for high-growth, high-tech start-up companies in the USA. In general, venture investors and their legal teams in the USA tend to have a certain comfort level with Delaware law, given the sheer amount of companies that choose to incorporate within the state.

Scout Security Inc. does not have any subsidiaries, nor an interest in any other entity. All income to Scout flows directly to the C Corporation. All assets and liabilities described herein as belonging to Scout Security Inc. are associated with Scout Security Inc.

7.4.7 *Market*

Traditional home security is a US$23 billion a year industry in the United States alone. Even at that size, it is estimated that market penetration of traditional home security is only around 20% for the better part of a decade. As a result, it could be estimated that around 80% of the population goes without home security in the USA. In particular, Scout is of the view that up to 107 million householders and renters (tenants), who represent up to 35% of the US housing market are currently without home security.

Scout's offering is also squarely at the center of the burgeoning smart home and IOT market. Billions of connected devices are expected to be added to the IOT market in the coming years. With Scout viewing security as being a core driver of first-time connected device and service purchases, the Company believes it is well-positioned to take advantage of any potential IOT market increase.

As a business to consumer (B2C) business, Scout's core customers are end users. Regardless of the channel through which Scout sells, ultimately, the product and service suite that Scout produces is meant for individuals monitoring a personal residence. Scout believes the following attributes are core to Scout's target customer:

(a) millennial and generation X householders (ages 25-44);

(b) middle income and up, in terms of financial status; and

(c) smartphone owners and users.

Many companies choose to white-label hardware and software within the security space, which makes them primarily sales and marketing organisations. White-labelling may give competitors a lowered barrier to entry, but Scout believes the trade-off is having little control over the operation of their product. For Scout's offering, it started from the ground up. Scout believes that if you want to create the best end-to-end customer experience, you have to control that experience through every step. Scout's view is that brands, not devices, are what end up winning markets. To build that brand properly, you have to have control from end-to-end. That's why Scout has built its own hardware and software that drives the platform. While not insurmountable, Scout believes this aspect creates significant barriers to entry for others. It is hard to copy a brand. We've spent years building and honing the product. This includes significant investment across its product offering. Scout has complete control over how it operates and how it is marketed. This puts Scout at an advantage over those companies relying on the hardware and software of others for their product offering.

Within the USA, each state, city and municipality is responsible for setting the laws pertaining to alarm dealers and monitoring centres. For its part, Scout works with each governing body to ensure that we're complying with all applicable laws for alarm dealers at the state, city and municipality level. Scout's wholesale monitoring partner, C.O.P.S., handles all of the requirements in the same for being capable of dispatching police. Scout must maintain permits and licenses in certain jurisdictions to be an alarm dealer, according to the law.

7.4.8 *Progress to Date and Business Plan Execution*

Scout started as a crowdfunding campaign in 2013 that garnered over US$200,000 in pre-sales of the Scout product in a 30 day period. Scout received over US$420,000 in pre-sale orders by the time our product came to market in October of 2014.

During 2014, Scout's product shipped to pre-order backers and became available for general sale. Scout focused primarily on direct-to-consumer channels initially, selling on the Scout website and through Amazon.com. The focus quickly shifted to expanding sales channels. Over the course of 2015, Scout began to add master resellers and online affiliates to increase its presence. Following an investment from the Amazon Alexa Fund in the summer of 2015, Scout added Direct Energy and DSI Distributing as master resellers. In the financial year ended 2016, Scout's revenue grew 267% from the previous financial year (from US$691,976 in 2015 to US$1,853,956 in 2016). Notwithstanding this increase in revenue, Scout reported a loss of US$1,480,701 for the financial year ended 30 June 2016 and a further loss of 820,568 for the 6 months ended 31 December 2016.

Scout's most pressing challenge has been keeping up with demand. Scout has addressed this issue by changing suppliers and has received the first batch of inventory from a new supplier at the beginning of February 2017. Scout's new supplier has extended a credit line and Net30 terms, which drastically changes the cashflow implications of inventory ordering for the better. Additionally, Scout augmented its policies such that each system would be sold with a monitoring subscription plan at the time of checkout which enables all buyers to attach to a monitoring plan at the time of purchase.

Over the course of 2016, Scout saw its monthly recurring revenue double from 2015 year-end levels. As Scout adds additional services, the Company believes average revenue per user (**ARPU**) will increase. Lifetime value should rise as Scout continues to require all new customers to attach to monitoring. Additionally, the new supplier is producing equipment at a lower cost of goods sold than our previous supplier.

Scout continues to pursue a full pipeline of master resellers, online affiliates and new product development efforts to build on the growth we have seen to date.

7.5 Use of Funds

The Company intends to apply funds raised from the Public Offer, together with existing cash reserves post-Acquisition, in the next two years following admission to the Official List of the ASX as follows:

FUNDS AVAILABLE	Minimum Subscription ($5,000,000)	Percentage of Funds (%)	Oversubscription ($6,000,000)	Percentage of Funds (%)
Existing cash reserves of the Company[1]	$340,162	6.37%	$340,162	5.37%
Funds raised from the Capital Raising	$5,000,000	93.63%	$6,000,000	94.63%
Total	**$5,340,162**	**100%**	**$6,340,162**	**100%**
ALLOCATION OF FUNDS	**Minimum Subscription ($5,000,000)**	**Percentage of Funds (%)**	**Oversubscription ($6,000,000)**	**Percentage of Funds (%)**
Marketing and Sales	$1,947,557	36.47%	$2,448,571	38.62%
Inventory Production & Purchasing[2]	$1,640,498	30.72%	$1,688,385	26.63%
Research and Development[3]	$205,062	3.84%	$506,579	7.99%
Expenses associated with the Offers and Acquisition[4]	$537,705	10.07%	$658,705	10.39%
Working Capital[5]	$1,009,291	18.90%	$1,037,885	16.37%
TOTAL	$5,340,162	100%	$6,340,162	100%

Notes

1. Refer to the Investigating Accountant's Report set out in Section 9. These funds represent cash held by the Company and Scout as at 31 December 2016. The Company and Scout have incurred and expect to incur further costs (estimated at approximately US$100,000

per month) within the ordinary course of their respective businesses and in association with the Acquisition which will diminish this amount prior to Settlement.

2. Inventory Production and Purchasing are funds that will be used to purchase Scout hardware from contract manufacturers on an ongoing basis. These monies are expected to be recouped by Scout as inventory is sold and will be applied to the next inventory order.

3. Research and development expenses are related to the development of future products and services and include, but are not limited to, the purchase of components and testing equipment, contract engineering work, non-recurring engineering fees, custom fixtures and/or molds, the purchase of competing smart home devices and services

4. Refer to the table in Section 12.11 for the itemised costs of the expenses associated with the Offers.

5. Working capital includes the general costs associated with the management and operation of the business including administration expenses, management salaries, directors' fees, rent and other associated costs.

In the event the Company raises more than the minimum subscription of $5,000,000, the additional funds raised will be first applied towards the expenses of the Offers, then to additional marketing budget to accelerate system sales, the acceleration of new product development and the acceleration of Scout branching into new markets internationally. On completion of the Public Offer, the Board believes that the Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including the risk factors outlined in Section 8) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

7.6 Capital Structure

A pro forma capital structure following Settlement is set out below based on an issue price of $0.20 per Share:

	Shares based on a minimum raising of $5,000,000	Shares based on a maximum raising of $6,000,000	Performance Shares	Options
Current	5,000,001	5,000,001	Nil	Nil
Seed Capital Raising[4]	1,875,000	1,875,000	Nil	Nil
Consideration Shares	69,900,000	69,900,000	Nil	Nil
Performance Shares[1]	Nil	Nil	36,000,000	Nil
Prospectus Offer	25,000,000	30,000,000	Nil	Nil
Capital Raising Options[2]	Nil	Nil	Nil	15,000,000
Director Options[3]	Nil	Nil	Nil	6,000,000
TOTAL	**101,775,001**	**106,775,001**	**36,000,000**	**21,000,000**

Notes:

1. Terms and conditions of the Performance Shares are set out in Section 12.3.
2. Terms and conditions of the Capital Raising Options are set out in Section 12.4.
3. Terms and conditions of the Director Options are set out in Section 12.5.

4. The Company is in the process of completing a seed capital raising through the issue of 1,875,000 Shares at an issue price of $0.16 per Share to raise $300,000. Funds raised will be used to fund the working capital requirements of the Company and the business operations of Scout prior to listing on the ASX.

7.7 Effect of Conversion of Options and Performance Shares on Shareholders

The dilutionary effect of the conversion of Performance Shares and exercise of Options on Shareholders is set out in the table below (assuming the maximum subscription of $6,000,000 is raised under the Public Offer and no other Shares are issued or Options exercised):

	Additional Shares to be issued	Total Shares on issue (assuming max subscription)	Dilution to Shareholders at Listing[3]
Shares at Listing	N/A	106,775,001	N/A
Exercise of Options[1]	21,000,000	127,775,001	16.44%
Conversion of one Performance Share milestone[1]	12,000,000	118,775,001	10.10%
Conversion of two Performance Share milestones[1]	24,000,000	130,775,001	18.35%
Conversion of three Performance Share milestones[1]	36,000,000	142,775,001	25.21%
Conversion of all Performance Shares and exercise of Options[2]	57,000,000	163,775,001	34.80%

Notes:

1. Refer to Section 12.3 for a summary of the terms and conditions attaching to the Performance Shares. In particular, due to withholding tax payable by the Company upon conversion of the Performance Shares, the Performance Shares will convert into Shares on less than a one for one basis.
2. Section 12.4 for terms and conditions of the Capital Raising Options and Section 12.5 for the terms and conditions of the Director Options.
3. This percentage represents the number of Shares held by Shareholders following completion of the Offers prior to conversion of the relevant Performance Shares and/or Options (as the case may be) as a percentage of the total Shares on issue following conversion of the relevant Performance Shares or exercise of Options and assumes that no tax is payable by the holders upon conversion, resulting in them receiving one Share for every Performance Share converted.

7.8 Restricted Securities

Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, the Company understands that certain Securities on issue (including the Consideration Shares, the Performance Shares, the Capital Raising Options and the Director Options) may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

It is estimated that up to 69,900,000 Shares, 36,000,000 Performance Shares and 21,000,000 Options will be subject to escrow.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being admitted to trading on ASX (which admission is subject to ASX's discretion and approval).

8. RISK FACTORS

8.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free, and the Directors strongly recommend potential investors to consider the risk factors described in Section 4 of this Prospectus in addition to those listed below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to Scout's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company-Specific Risks

(a) **Contractual Risk**

Completion of the Acquisition is subject to the fulfilment of certain conditions precedent pursuant to the HOA and Merger Agreement. The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the HOA and Merger Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Further, certain parties to the HOA and Merger Agreement reside outside Australia. It may be difficult for the Company to seek a legal remedy in any jurisdiction outside Australia which may adversely impact the Company's performance and financial position. If, for any reason, the HOA or Merger Agreement is breached by any party, the Acquisition may not proceed in which case the Company will need to evaluate its future strategy. In the event that the Acquisition does not proceed, the Company will not issue any Shares under the Offers and will return investment funds to Applicants.

In addition, under the Merger Agreement and according to Delaware law, holders of shares of capital stock have rights (dissenter's rights), which entitle the holder to a right of appraisal of the Consideration Shares issued under the Merger. There is a risk that a shareholder in Scout may argue that the consideration it received under the Merger process was insufficient and that the Scout shareholder should be entitled to further consideration. As the Acquisition was negotiated at an arm's length between the Company and Scout, Scout considers that this is a low risk.

(b) **Market presence and economies of scale**

Traditional home security providers maintain broad market presence and economies of scale not accessible for smaller players such as Scout Further, existing companies that engage in the home security business, or are within the IOT space, could introduce new or enhance existing products. If a larger, better funded company markets or creates a comparable product at a lower price point, Scout may have to reduce prices to remain competitive or could be priced out of the market. This could potentially negatively impact the company's growth.

(c) **Market segments**

Scout is targeting a new segment within the home security market, which introduces unknowns, such as potential downward impacts to expected attach rates, retention rates, and customer adoption. The Company may also not have accurately forecasted demand for its product in this market segment, given the unknowns of new market segments.

(d) **Manufacturing risks in China**

The company manufactures its product internationally in China. There is the potential that the company could experience manufacturing difficulties due to international circumstances that are out of their control. If the Company uses a single or limited number of suppliers, they may be at risk of shortage, price increases, changes, delay, or discontinuation of key components, which could disrupt and adversely affect their business. Scout maintains a small inventory and may have difficulty meeting demand if they have any manufacturing or supply chain issues.

(e) **Seasonality risk**

Scout's operations and revenue experience some seasonality. The winter holiday season is their busiest period, specifically November. Quarterly results may vary, and are not necessarily an indication of future performance. The seasonality of Scout's revenue and operations could exacerbate fluctuations due to other factors, including costs of expansion, upgrades to systems and infrastructure, or changes in business or macroeconomic conditions.

(f) **Competition risk**

White label, low price, home security hardware is available to potential competitors. Scout will need to continue to differentiate itself on the hardware front over time. It may prove difficult for the Company to establish itself as a well-known brand in the competitive IOT space, and the product may be in a market where customers will not have brand loyalty. If competitors develop equal or better products, Scout may be forced to compete on a pricing basis, which could negatively affect their revenue.

(g) **Limited operations**

The Company has limited operations and Scout has reported operating losses for the financial years ended 30 June 2014, 2015 and 2016 and for the 6 months ended 31 December 2016. As such, the Company may be dependent on equity and debt fund-raising and/or dividends and distributions from Scout (to the extent that Scout becomes cash flow positive in the future.

(h) **Acquisitions**

The Company's growth strategy may involve finding and consummating acquisitions in areas complimentary to Scout's business. The Company may not be successful in identifying and acquiring suitable acquisition targets at acceptable cost. Further, acquisitions may require additional funding on acceptable terms, which may or may not be available at the relevant time. Further, the Company will experience competition in making acquisitions from larger companies with significantly greater resources.

(i) **Integration**

Integration of the Company's and Scout's operations (and the operations of the Company and any of its further potential acquisitions) will be complex, time-consuming and expensive and may adversely affect the results of the Company's operations.

(j) **International operations**

Scout does not currently have distributor relationships in countries outside of the USA (and Canada in relation to its monitoring services), but expects to do business internationally at a later date. The Company's operations will therefore be subject to a number of risks inherent in global operations, including political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international and U.S. export laws and regulatory requirements (including the U.S. Foreign Corrupt Practices Act, the U.S. Export Administration Act and the U.S. Arms Export Control Act (and the regulations promulgated thereunder)), risks stemming from the Company's lack of local business experience in specific foreign countries, foreign currency fluctuations, difficulty in enforcing intellectual property rights, foreign taxes, and language and other cultural barriers. Additionally, operating an international business with a sales force managed from Australia and with distributorships and sales in a number of legal jurisdictions will necessarily require substantial input from a variety of legal counsel and expose the Company to legal costs that may be disproportionately high relative to its revenues, and will be incurred regardless of whether the Company derives revenues from a given jurisdiction or at all.

(k) **Disputes**

The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, directors, officers and employees, and service providers. The Partnership may incur substantial costs in connection with such disputes.

(l) **Strategies**

There are no limits on strategies that the Company may pursue. The strategy discussed in this Prospectus may evolve over time due to, among other things, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice, and otherwise in the Company's sole discretion. As a result, the strategy, approaches, markets and products described in this Prospectus may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company at a later date.

Further, a change in strategy may involve material and as yet unanticipated risks, as well as a high degree of risk, including a higher degree of risk than the Company's strategy in place as of the date hereof.

(m) **Contracts in general**

There are a number of risks associated with contracts entered into by the Company or Scout, including the risk that those contracts may contain unfavourable provisions, or be terminated, lost or impaired, or renewed on less favourable terms.

(n) **Supply**

The Company may experience delivery delays if its contract manufacturer fails to deliver products. Scout's products are manufactured by one contract manufacturer. Any operational issues that the manufacturer incurs may affect the delivery of the products. Scout depends on the manufacturer to adjust operations accordingly with demand of the products to ensure no back log in production. There is also a risk with working with only one manufacturer, in that termination of the agreement to produce will temporary halt all deliveries until resolved or a new agreement is made with another manufacture.

(o) **Product liability**

As with all new products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage, if any.

(p) **Dependence on re-seller contracts**

Scout depends on a number of contracts with resellers. These contracts include termination rights whereby either party may terminate with 30-60 days' notice to the other party. In the event of insolvency of either party, the reseller agreements are able to be terminated immediately. The consequences of breach or termination of any of these contracts could, although unlikely, have a material adverse effect on Scout's business, financial condition and results of operations. In addition, Scouts' payment obligations in relation to Scout's products sold under the reseller contracts will not cease with the termination of these reseller contracts and Scout will be required to continue to comply with those obligations.

Scout have entered into and may enter into other agreements with various parties in relation to Scout's business. In such cases, there is the risk that parties may default on their obligations, which may in turn necessitate the termination of the contract or legal action. Although unlikely, this may result in financial loss for Scout. In most, if not all, cases, the contracts that Scout has entered into may be governed in jurisdictions outside Australia. It may be more difficult to resolve disputes in such jurisdictions than it would be under Australian law. As such, Scout cannot ensure that an appropriate legal resolution will be achieved.

(q) **Loss of Customers**

Scout has established important customer relationships through development of the technologies. The loss of one or more customers through termination or expiry of contracts may, although unlikely, adversely affect the operating results of the Company.

(r) **Protection of Intellectual Property Rights**

The commercial value of Scout's intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against Scout or the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation may be potentially significant and may divert management's attention from normal commercial operations.

(s) **Litigation**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property ownership disputes, contractual claims, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(t) **Environmental**

The Company's and Scout's operations are subject to government environmental legislation. While environmental issues are continually monitored to minimise the likelihood of risk there is no assurance that the Company's or Scout's respective operations will not be affected by an environmental incident or subject to environmental liabilities. The introduction of new environmental legislation and regulations may result in additional cost to the Company arising from additional compliance, further capital expenditure and monitoring which may have a material adverse impact on the financial position and performance of the Company.

(u) **Data loss, theft or corruption**

Each of the Company and Scout stores data in its own systems and networks and also with a variety of third party service providers. Exploitation or hacking of any of these systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results. Further, if the Company's or Scout's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers.

Some competitors of Scout have received negative publicity associated with the ability to hack their devices. Scout has not been hacked and does not have the same security flaws of said competitors, but it is possible that Scout may experience the same negative publicity if their devices are able to be hacked at some point in the future.

(v) **Foreign exchange**

The Company will be operating in a variety of jurisdictions, including the United States of America and Australia, and as such, expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. For example, the appreciation or depreciation of the US dollar relative to the Australian dollar would result in a foreign currency loss or gain. Any depreciation of currencies in foreign jurisdictions in which the Company operates may result in lower than anticipated revenue, profit and earnings of the Company.

(w) **Insurance coverage**

The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company proposes to arrange and maintain insurance coverage for its employees, as well as professional indemnity, product liability and third party liability insurance, however it does not currently propose to arrange and maintain business interruption insurance or insurance against claims for certain property damage. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected. Investors should note that the Company currently has no insurance policies in place in respect of its business or assets. The Company intends to insure its operations in accordance with industry practice once the Company's operations are of a sufficient magnitude. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(x) **US taxation risk**

The acquisition and disposal of Shares will have tax consequences for investors, which will vary depending on the individual financial affairs of each investor. Further, due to the circumstances of the Company's formation, the Company is treated as a U.S. corporation for U.S. tax purposes, and is therefore subject to U.S. tax laws. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of Shares from a taxation viewpoint and generally. Please refer to Section 6.9 for a general summary of potential taxation consequences facing investors based on the applicable taxation law as at the date of this Prospectus.

(y) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Public Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(z) **Shareholder dilution**

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of issues of Shares or other securities. Further, on the conversion of Performance Shares (issued under the HOA) into Shares, Shareholders will be further diluted.

(aa) **Liquidity Risk**

On Settlement, the Company proposes to issue the Consideration Shares, the Performance Shares, the Capital Raising Options and the Director Options. The Directors understand that ASX will treat these securities as restricted securities in accordance with Chapter 9 of the ASX Listing Rules. However, submissions will be made to the ASX to apply for cash formula relief in respect of these Securities.

Based on the post-Acquisition capital structure (assuming no further Shares are issued or Options exercised), the Consideration Shares will equate to approximately 65% of the issued Share capital on an undiluted basis (assuming maximum subscription under the Capital Raising). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

8.3 General Risks

(a) **Economic conditions and other global or national issues**

General economic conditions, laws relating to taxation, new legislation, trade barriers, movements in interest and inflation rates, currency exchange controls and rates, national and international political circumstances (including wars, terrorist acts, sabotage, subversive activities, security operations, labour unrest, civil disorder, and states of emergency), natural disasters (including fires, earthquakes and floods), and quarantine restrictions, epidemics and pandemics, may have an adverse effect on the Company's operations.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology or defence stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Further, the value of the Shares may fluctuate more sharply than that of other securities, given the low per Share pricing of the Shares under the Prospectus, and the fact that investment in the Company is highly speculative.

(c) **Price of Shares**

As a publicly-listed company on ASX, the Company will be subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price. The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Public Offer price. There is no assurance that the price of the Shares will increase or not decrease following the commencement of quotation on ASX, even if the Company's earnings increase.

Further, after the end of the relevant escrow periods affecting Shares in the Company, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse effect on the Company's Share price. Please refer to Section 7.8 for further details on the Shares likely to be classified by the ASX as restricted securities.

(d) **Taxation Risk**

The acquisition and disposal of Shares will have tax consequences for investors, which will vary depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of Shares from a taxation viewpoint and generally.

(e) **Investment speculative**

The risk factors set out in this Prospectus ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. These factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

9. INVESTIGATING ACCOUNTANT'S REPORT

SCOUT SECURITY LIMITED
Investigating Accountant's Report

23 June 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

23 June 2017

The Directors

Scout Security Limited

Unit 7, 151 Macquarie Street

Sydney NSW 2000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Scout Security Limited ('Scout' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to certain financial information of Scout for inclusion in a prospectus ('Prospectus') to be issued by the Company in respect of the proposed initial public offering ('IPO') and listing on the Australian Stock Exchange ('ASX').

Broadly, the Prospectus will offer up to 25 million Shares at an issue price of A$0.20 each to raise up to A$5 million, before costs, together with an oversubscription offer of up to a further 5 million Shares at an issue price of A$0.20 each to raise up to a further $1 million ('the Public Offer'). The Public Offer is subject to a minimum subscription level of 25 million Shares to raise A$5 million.

In preparation for listing on the ASX an internal restructure will take place resulting in the newly incorporated Australian company, being Scout, becoming the legal parent of the group subject to the issue of shares under the Public Offer. As such, the historical financial information of Scout will be presented as a continuation of the pre-existing accounting values of Scout Security, Inc., a US incorporated entity which conducts the Scout Security business ('Scout US').

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The Company was incorporated on 13 October 2016 for the primary purpose of acquiring Scout US and has limited financial history. As such, the historical financial information of Scout will be presented as a continuation of the pre-existing accounting values of Scout US. Scout US was incorporated on 1 May 2013. The Company has requested BDO to review the following historical financial information (together the 'Historical Financial Information') included as appendices to our Report:

- the audited Statements of Financial Position, Financial Performance and Cash Flows of Scout US for the years ended 30 June 2015 and 30 June 2016, and the reviewed Statements of Financial Position, Financial Performance and Cash Flows of Scout US for the six months ended 31 December 2015 and 31 December 2016;
- the audited Statement of Financial Position, Performance and Cash Flows of the Company for the period from incorporation to 31 December 2016.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Scout US for years ended 30 June 2015 and 30 June 2016, which were audited by Mueller & Co.,LLP ('Mueller') and the six months ended 31 December 2015 and 31 December 2016, which were reviewed by Mueller in accordance with the International Financial Reporting Standards ('IFRS'). Mueller issued unmodified audit opinions on each financial report.

The financial report for the Company for the period ended 31 December 2016 was audited by BDO Audit (WA) Pty Ltd in accordance with the IFRS. BDO Audit (WA) Pty Ltd issued an unmodified audit opinion on the financial report, however did include an emphasis of matter noting that the ability of the Company to continue as a going concern is dependent upon securing sources of funding to continue operations and development success.

The Historical Financial Information is presented in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') of the Company included in the Prospectus:

- the pro forma historical Statement of Financial Position of the Company as at 31 December 2016 which includes:
  - o the subsequent events outlined in section 6 of our Report; and
  - o the pro forma adjustments for the events outlined in section 7 of our Report,

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company and Scout US, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events and transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the events and transactions described in Section 6 and Section 7 of this Report on the Company's financial position as at 31 December 2016. As part of this process, information about the Company's financial position has been extracted by the Company from its financial statements for the period ended 31 December 2016.

3. Directors' responsibility

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our review procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited Statements of Financial Position, Financial Performance and Cash Flows of Scout US for years ended 30 June 2015 and 30 June 2016, and the reviewed Statements of Financial Position, Financial Performance and Cash Flows of Scout US for the six months ended 31 December 2015 and 31 December 2016;

- the audited Statements of Financial Position, Financial Performance and Cash Flows of the Company for the period ended 31 December 2016,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the Pro Forma Consolidated Statement of Financial Position of the Company as at 31 December 2016 which include:
    - the subsequent events outlined in section 6 of our Report; and
    - the pro forma adjustments for the events outlined in section 7 of our Report,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The Pro Forma Consolidated Statement of Financial Position reflects the following events that have occurred subsequent to the period ended 31 December 2016 for Scout US and 31 December 2016 for the Company:

- Subsequent to 31 December 2016, the Company issued three tranches of shares to raise funds. The Company issued 1,000,000 shares at an issue price of $0.05 per share to raise $50,000 and also issued 4,000,000 shares at an issue price of $0.16 per share to raise $640,000. Recently the Company did a further capital raising and issued 1,875,000 shares at an issue price of $0.16 per share to raise $300,000, we note that at the date of this report, the $300,000 capital raise is still currently in progress. The total capital raised subsequent to 31 December 2016 is $990,000(‘Scout Capital Raising’).
- On 17 February 2017, Scout US issued 529,698 shares at US$0.5828 to raise US$308,764 (A$402,876) (‘Scout US Capital Raising’).

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of the Company or Scout US not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The Pro Forma Consolidated Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements of Scout US as at 31 December 2016 and the Company as at 31 December 2016, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- In preparation for listing on the ASX, an internal restructure will take place resulting in the Company acquiring Scout US through the issue of 69.9 million Shares to the Scout US shareholders (‘Consideration Offer’). For the purposes of this Report, the restructure has been accounted for as a capital re-organisation rather than a business combination;

- The issue of up to 30 million Shares at an offer price of A$0.20 each to raise up to A$6 million before costs based on the maximum subscription, or the issue of 25 million Shares at an offer price of $0.20 each to raise $5 million, before costs, based on the minimum subscription, pursuant to the Public Offer under the Prospectus;
- Costs of the Public Offer are estimated to be A$658,705 based on the maximum subscription, or A$537,705 based on the minimum subscription. The costs that relate to the issue of new shares have been offset against contributed equity and the remaining costs have been expensed;
- The issue of 36 million Performance Shares to key employees of Scout US. The Performance Shares will convert upon satisfaction of the following performance milestones:
    - 12 million Performance Shares shall convert into an equal number of ordinary shares upon the Company achieving revenue of US$1.5 million within six months following the issue date of the Performance Shares and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company's audited financial statements;
    - 12 million Performance Shares shall convert upon the Company achieving revenue of US$4.0 million within 12 months following the issue date of the Performance Shares and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company's audited financial statements; and
    - 12 million Performance Shares shall convert upon the Company achieving revenue of US$6.0 million within 18 months following the issue date of the Performance Shares and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company's audited financial statements.

  Each tranche of Performance Shares converts on the achievement of non-market based vesting condition. Currently there are no reasonable grounds in which to assess the likelihood of the non-market based performance milestones being met, resulting in the conversion of the Performance Shares. In addition to this, the Prospectus does not include financial forecasts as the Directors do not consider that they have a reasonable basis to reliably forecast future revenue, at this point in time. Therefore, at the date of the pro forma balance sheet we do not consider that it is probable the performance milestones will be met (this being the best available estimate) and as such no value has been assigned to the Performance Shares at the pro forma date. However, in accordance with AASB 2 Share based payments, the Company will be required to re-assess the probability of each performance milestone being achieved up until expiry of the Performance Shares;
- The issue of 15 million Capital Raising Options to Armada Capital and Equities Pty Ltd ('Armada') in consideration for facilitating the capital raise. As the Capital Raising Options are to be issued in consideration for capital raising services provided, the value of the options has been determined using the Black Scholes option pricing model and has been offset against contributed equity. Further details of the Capital Raising Options can be found in Note 4 of Appendix 5;
- The issue of 6 million Director Options which have been valued using the Black Scholes option pricing model. Further details of the Director Options can be found in Note 4 of Appendix 5.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit (WA) Pty Ltd is the auditor of the Company and from time to time, BDO provides the Company with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

Adam Myers

Director

APPENDIX 1

SCOUT SECURITY LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Scout Audited as at 31-Dec-16 A$	Scout US Reveiwed as at 31-Dec-16 A$	Subsequent events A$	Pro forma adjustments minimum A$	Pro forma adjustments maximum A$	Pro forma after Offer minimum A$	Pro forma after Offer maximum A$
CURRENT ASSETS								
Cash and cash equivalents	2	40,162	161,707	1,392,876	4,462,295	5,341,295	6,057,040	6,936,040
Accounts receivable		-	1,276	-	-	-	1,276	1,276
Inventories		-	146,612	-	-	-	146,612	146,612
Prepayments		-	10,562	-	-	-	10,562	10,562
GST receivable		9,758	-	-	-	-	9,758	9,758
TOTAL CURRENT ASSETS		49,920	320,157	1,392,876	4,462,295	5,341,295	6,225,248	7,104,248
NON CURRENT ASSETS								
Property & equipment		-	180,287	-	-	-	180,287	180,287
Goodwill		-	276,774	-	-	-	276,774	276,774
TOTAL NON CURRENT ASSETS		-	457,061	-	-	-	457,061	457,061
TOTAL ASSETS		49,920	777,218	1,392,876	4,462,295	5,341,295	6,682,309	7,561,309
CURRENT LIABILITIES								
Accounts payable		510,172	288,352	-	-	-	798,524	798,524
Supplier payable		-	844,548	-	-	-	844,548	844,548
Accrued expenses		5,000	475,792	-	-	-	480,792	480,792
Accrued wages		-	28,051	-	-	-	28,051	28,051
Accrued payroll taxes		-	44,972	-	-	-	44,972	44,972
Financial liabilities		-	-	-	-	-	-	-
Customer deposits		-	255,677	-	-	-	255,677	255,677
Sales returns provision		-	64,771	-	-	-	64,771	64,771
Shares applications held in trust		137,800	-	-	-	-	137,800	137,800
TOTAL CURRENT LIABILITIES		652,972	2,002,163	-	-	-	2,655,135	2,655,135
TOTAL LIABILITIES		652,972	2,002,163	-	-	-	2,655,135	2,655,135
NET ASSETS		(603,052)	(1,224,945)	1,392,876	4,462,295	5,341,295	4,027,174	4,906,174
EQUITY								
Contributed equity	3	1	5,344,388	1,392,876	2,899,999	3,779,999	9,637,264	10,517,264
Reserves	4	-	-	-	1,136,948	1,136,948	1,136,948	1,136,948
Accumulated losses	5	(603,053)	(6,569,333)	-	425,348	424,348	(6,747,038)	(6,748,038)
TOTAL EQUITY		(603,052)	(1,224,945)	1,392,876	4,462,295	5,341,295	4,027,174	4,906,174

[#] The cash and cash equivalents balance above does not account for working capital incurred by Scout US during the period from 1 January 2017 to the date of this report. The cash and cash equivalents balance above does not account for working capital incurred by the Company during the period from 1 January 2017 to the date of this report.

The Scout US balance sheet has been translated at an exchange rate of AUD$1: USD$0.72261, being the exchange rate on 31 December 2016.

The Pro-forma Consolidated Statement of Financial Position after the Public Offer is as per the Consolidated Statement of Financial Position before the Public Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The Pro-forma Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 2

SCOUT SECURITY, INC.

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Historical Statement of Profit or Loss and Other Comprehensive Income	Scout US Reviewed for the period ended 30-Dec-16 US$	Scout US Reviewed for the period ended 30-Dec-15 US$	Scout US Audited for the year ended 30-Jun-16 US$	Scout US Audited for the year ended 30-Jun-15 US$
Revenue	602,263	1,493,544	1,853,956	691,976
Cost of sales	(522,956)	(1,474,746)	(1,718,469)	(1,034,074)
Gross profit/(loss)	79,307	18,798	135,487	(342,098)
Operating expenses	(879,761)	(626,983)	(1,507,539)	(1,458,569)
Profit/(loss) from operations	(800,454)	(608,185)	(1,372,052)	(1,800,667)
Other income/(expense):				
Other income	-	-	2,375	-
Interest income	(5,694)	(60,746)	(107,954)	(48,500)
Other expense	(14,420)	(4,872)	(3,070)	(17,061)
Net profit/(loss)	(820,568)	(673,803)	(1,480,701)	(1,866,228)

SCOUT SECURITY LIMITED

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Historical Statement of Profit or Loss and Other Comprehensive Income	Scout Audited for the period ended 31-Dec-16 A$
Operating expenses	603,053
Profit/(loss) from operations	603,053
Net profit/(loss)	603,053

The Historical Statements of Profit or Loss and Other Comprehensive Income shows the historical financial performance of Scout US and the Company and is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5. Past performance is not a guide to future performance.

APPENDIX 3

SCOUT SECURITY, INC.

HISTORICAL STATEMENT OF FINANCIAL POSITION

Historical Statement of Financial Position	Scout US Reviewed as at 31-Dec-16 US$	Scout US Audited as at 30-Jun-16 US$	Scout US Audited as at 30-Jun-15 US$	Scout US Audited as at 30-Jun-14 US$
CURRENT ASSETS				
Cash and cash equivalents	116,851	267,851	232,821	22,447
Accounts receivable	922	2,005	46,382	-
Notes receivable	-	-	-	19,905
Inventories	105,943	23,764	243,352	-
Prepayments	7,632	232,443	-	35,980
Other	-	-	-	44,000
TOTAL CURRENT ASSETS	231,348	526,063	522,555	122,332
NON CURRENT ASSETS				
Property & equipment	130,277	120,567	162,129	105,350
Goodwill	200,000	200,000	200,000	200,000
TOTAL NON CURRENT ASSETS	330,277	320,567	362,129	305,350
TOTAL ASSETS	561,625	846,630	884,684	427,682
CURRENT LIABILITIES				
Accounts payable	208,366	161,793	224,690	75,129
Supplier payable	610,279	630,279	734,097	-
Accrued expenses	343,812	178,328	43,109	25,339
Accrued wages	20,270	-	-	-
Accrued payroll taxes	32,497	-	-	-
Financial liabilities	-	24,966	20,573	-
Customer deposits	184,755	131,424	27,858	56,683
Sales returns provision	46,804	46,804	16,540	-
Convertible promissory notes	-	-	1,413,500	-
TOTAL CURRENT LIABILITIES	1,446,783	1,173,594	2,480,367	157,151
TOTAL LIABILITIES	1,446,783	1,173,594	2,480,367	157,151
NET ASSETS	(885,158)	(326,964)	(1,595,683)	270,531
EQUITY				
Contributed equity	3,861,908	3,599,534	850,114	850,100
Reserves	-	-	-	-
Accumulated losses	(4,747,066)	(3,926,498)	(2,445,797)	(579,569)
TOTAL EQUITY	(885,158)	(326,964)	(1,595,683)	270,531

The Historical Statements of Financial Position show the historical financial position of Scout US and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

APPENDIX 4

SCOUT SECURITY, INC.

HISTORICAL STATEMENT OF CASH FLOWS

Historical Statement of Cash Flows	Scout US Reviewed for the period ended 30-Dec-16 US$	Scout US Reviewed for the period ended 30-Dec-15 US$	Scout US Audited for the year ended 30-Jun-16 US$	Scout US Audited for the year ended 30-Jun-15 US$
Cash provided by (applied to) operating activities:	(820,568)	(673,803)	(1,480,701)	(1,866,228)
Adjustments to reconcile loss to net				
cash applied to operating activities:				
Depreciation and amortization	46,838	20,781	41,562	124,264
Services for equity transactions	-	-	-	220,000
Interest on convertible promissory notes	-	47,000	94,040	48,500
Changes in:				
Accounts receivable	1,084	42,911	44,377	(46,382)
Notes receivable		-	-	19,905
Inventories	(82,179)	161,403	219,588	(243,352)
Prepaid expenses	224,811	-	(232,443)	35,980
Other assets	-		-	44,000
Accounts payable	46,572	(91,691)	(62,897)	149,561
Supplier payable	(20,000)	196,182	(103,818)	734,097
Accrued expenses	174,624	(24,352)	144,836	5,584
Accrued wages	20,270	7,542	(12,852)	8,530
Accrued payroll taxes	23,357	16,581	3,235	3,656
Customer deposits	53,331	(27,858)	103,566	(28,825)
Reserve for sales returns	-	3,460	30,264	16,540
	(331,860)	(321,844)	(1,211,243)	(774,170)
Cash applied to investing activities:				
Acquisition	-	-	-	-
Purchases of property and equipment	(56,548)	-	-	(181,043)
	(56,548)	-	-	(181,043)
Cash flows from financing activities:				
Net proceeds on line of credit	(24,966)	45,127	4,393	20,573
Issuance of common stock	-	-	-	14
Issuance of preferred stock	262,374	-	1,045,880	-
Issuance of convertible promissory notes	-	196,000	196,000	1,145,000
	237,408	241,127	1,246,273	1,165,587
Net increase in cash	(151,000)	(80,717)	35,030	210,374
Cash, beginning of year	267851	232821	232,821	22,447
Cash, end of year	116,851	152,104	267,851	232,821

SCOUT SECURITY LIMITED

HISTORICAL STATEMENT OF CASH FLOWS

Historical Statement of Cash Flows	Scout Audited for the period ended 31-Dec-16 A$
CASH FLOWS FROM OPERATING ACTIVITIES	
Option fee payment	(97,639)
Net cash inflows/(outflows) from operating activities	(97,639)
CASH FLOWS FROM FINANCING ACTIVITIES	
Share application funds received	137,800
Incorporation of Scout	1
Net cash inflows from financing activities	137,801
Net increase/(decrease) in cash and cash equivalents	40,162
Cash and cash equivalents at the beginning of the period	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	40,162

The Historical Statements of Cash Flows show the historical cash flows of Scout US and the Company and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 5.

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and presented in US dollars, which is the Company's functional currency.

The following significant accounting policies have been adopted in the preparation of the Historical Financial Information:

a) Revenue Recognition

Revenue, from the sale of goods, is recognized when the significant risks and rewards of ownership have passed to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Revenue from services is recognized when those services have been rendered under an agreement, provided that the amount of revenue can be measured reliably and that it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of returns and discounts.

b) Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realized or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

c) Cash and Cash Equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities.

d) Accounts Receivable

The Company carries its accounts receivable at fair value less any provision for impairment. The receivables are reduced by appropriate allowances for estimated irrecoverable amounts. The allowance is estimated based on the Company's historical bad debt experience, the aging of the receivables and based on management's judgment. Any finance charges earned on open accounts receivable are recognized when received. An allowance was not considered necessary at December 31, 2016 and 2015.

e) Inventories

Inventories consist of purchased items that are carried at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis. Cost comprised of purchase and delivery costs, net of rebates and discounts received or receivable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

f) Prepaid expenses

Prepaid expenses primarily relate to prepaid inventory orders.

g) Property and Equipment

All property and equipment assets are stated at cost less accumulated depreciation.

Depreciation of property and equipment is provided to write off the cost, less residual value, on a straight line basis over the useful life. Machinery and equipment useful lives range between 3 and 7 years.

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in profit or loss.

h) Goodwill

Goodwill acquired in a business combination is recognized as an asset and is initially measured at its cost. The cost of goodwill is the excess of the consideration paid over the entity’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill is carried at cost less accumulated impairment losses and tested for impairment annually.

i) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset’s fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

j) Accounts Payable and Other Current Liabilities

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Supplier payable is the balance due to the Company’s contract manufacturer which encompasses the various costs related to the production of Company hardware from inception to present day. Due to their short-term nature they are measured at cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

k) Equity Instruments

Equity instruments issued by the Company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Due to recurring losses, no tax is currently payable in all periods presented.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statements of financial position. Deferred tax assets and liabilities are not recognized if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Due to the improbability that a deferred tax asset would be used in future years, no deferred tax asset was recorded for net operating loss carry forwards.

The Company files US income tax returns and may be subject to income taxes in states in which it conducts business. All tax returns filed remain subject to examination by the Internal Revenue Service and state agencies.

m) Provisions

Provisions are recognized when the Company has a presented obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n) Concentration of Credit Risk

The Company maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on cash.

o) Advertising

The Company expenses advertising costs as incurred.

p) Research and Development Costs

Research and development costs are expensed in the period incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following has been demonstrated: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) the intention to complete the intangible asset and use or sell it; (c) the ability to use or sell the intangible asset; (d) how the intangible asset will generate probable future economic benefits; (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development. Accordingly, the Company has not capitalized any development costs to date.

q) Critical accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

NOTE 2. CASH AND CASH EQUIVALENTS	Audited 31-Dec-16 A$	Pro forma after Offer Minimum A$	Pro forma after Offer Maximum A$
Cash and cash equivalents	40,162	6,057,040	6,936,040
Audited balance of Scout as at 31 December 2016		40,162	40,162
Reviewed balance of Scout US as at 31 December 2016		161,707	161,707
Subsequent events:			
Proceeds from Scout Capital Raising		990,000	990,000
Proceeds from Scout US Capital Raising		402,876	402,876
		1,392,876	1,392,876
Pro-forma adjustments:			
Proceeds from shares issued pursuant to the Offer		5,000,000	6,000,000
Costs of the Offer and Transaction		(537,705)	(658,705)
		4,462,295	5,341,295
Pro-forma Balance		6,057,040	6,936,040

NOTE 3. CONTRIBUTED EQUITY			Audited 31-Dec-16 A$	Pro forma after Offer Minimum A$	Pro forma after Offer Maximum A$
Contributed equity			1	9,637,264	10,517,264

	Number of shares min	Number of shares max	A$	A$
Audited balance of Scout as at 31 December 2016	1	1	1	1
Reviewed balance of Scout US as at 31 December 2016	-	-	5,344,388	5,344,388
Subsequent events:				
Proceeds from Scout Capital Raising	6,875,000	6,875,000	990,000	990,000
Proceeds from Scout US Capital Raising	-	-	402,876	402,876
	-	-	1,392,876	1,392,876
Pro-forma adjustments:				
Issue of shares to Scout US shareholders	69,900,000	69,900,000	-	-
Proceeds from shares issued pursuant to the Offer	25,000,000	30,000,000	5,000,000	6,000,000
Acquisition adjustment (see Note 6)			(1)	(1)
Costs of the Offer	-	-	(360,000)	(480,000)
Issuance of Capital Raising Options	-	-	(1,740,000)	(1,740,000)
	94,900,000	99,900,000	2,899,999	3,779,999
Pro-forma Balance	94,900,001	99,900,001	9,637,264	10,517,264

NOTE 4. RESERVES	Audited 31-Dec-16 A$	Pro forma after Offer Minimum A$	Pro forma after Offer Maximum A$
Reserves	-	1,136,948	1,136,948
Audited balance of Scout as at 31 December 2016		-	-
Reviewed balance of Scout US as at 31 December 2016		-	-
Pro-forma adjustments:			
Issuance of Capital Raising Options		1,740,000	1,740,000
Acquisition adjustment (Contributed equity)		1	1
Acquisition adjustment (Accumulated losses)		(603,053)	(603,053)
		1,136,948	1,136,948
Pro-forma Balance		1,136,948	1,136,948

Capital Raising Options

Using the Black Scholes option pricing valuation methodology, the fair value of the Capital Raising Options to be issued has been calculated. The following inputs were used:

		Capital Raising Options
Number of Capital Raising Options		15,000,000
Exercise price	$	0.25
Expected volatility		100%
Implied option life		3.00
Expected dividend yield		nil
Risk free rate		1.90%

Director Options

Using the Black Scholes option pricing valuation methodology, the fair value of the Director Options to be issued has been calculated. The following inputs were used:

		Director Options
Number of Director Options		6,000,000
Exercise price	$	0.30
Expected volatility		100%
Implied option life		3.00
Expected dividend yield		nil
Risk free rate		1.90%

The Director Options have a vesting period of two years. The value of the Director Options is to be expensed over the two year vesting period, as per AASB 2 Share Based Payments, and therefore there is no expense to account for as at the date of the pro forma balance sheet. The total value of the Director Options was assessed to be $654,000.

Performance Shares

36 million Performance Shares are to be issued to key employees of Scout US. Each tranche of Performance Shares converts on the achievement of non-market based vesting condition as outlined in Section 7. Currently there are no reasonable grounds in which to assess the likelihood of the non-market based performance milestones being met, resulting in the conversion of the Performance Shares. In addition to this, the Prospectus does not include financial forecasts as the Directors do not consider that they have a reasonable basis to reliably forecast future revenue, at this point in time. Therefore, at the date of the pro forma balance sheet we do not consider that it is probable the performance milestones will be met (this being the best available estimate) and as such no value has been assigned to the Performance Shares at the pro forma date. However, in accordance with AASB 2 Share Based Payments, the Company will be required to re-assess the probability of each performance milestone being achieved up until expiry of the Performance Shares.

NOTE 5. ACCUMULATED LOSSES	Audited 31-Dec-16 A$	Pro forma after Offer Minimum A$	Pro forma after Offer Maximum A$
Accumulated losses	(603,053)	(6,747,038)	(6,748,038)
Audited balance of Scout as at 31 December 2016		(603,053)	(603,053)
Reviewed balance of Scout US as at 31 December 2016		(6,569,333)	(6,569,333)
Pro-forma adjustments:			
Costs of the Transaction		(177,705)	(178,705)
Acquisition adjustment (see Note 6)		603,053	603,053
		425,348	424,348
Pro-forma Balance		(6,747,038)	(6,748,038)

NOTE 6: ACQUISITION ACCOUNTING

Under the acquisition, the Company acquires all the shares in Scout US through the issue of 69,900,000 Shares to the Scout US shareholders, equating to a controlling interest in the combined entity. The acquisition of Scout US by the Company is not to be deemed a business combination, as the Company is not considered to be a business under AASB 3 Business Combinations.

As such the consolidation of these two companies is on the basis of the continuation of Scout US with no fair value adjustments, whereby Scout US is deemed to be the accounting parent. Therefore, the pre-acquisition equity balances of the Company are eliminated against the reserves on consolidation.

NOTE 7: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 8: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

10. BOARD, KEY MANAGEMENT AND CORPORATE GOVERNANCE

10.1 Directors and key personnel

Daniel Roberts
(Incoming) Chief Executive Officer

Daniel received a Bachelor of Science in Business Administration from Ohio State University, with a double major in Marketing and Logistics. Daniel also holds a Master of Design (MDes) from the Institute of Design at the Illinois Institute of Technology. His professional life spans work experience in each of these areas, having worked in sales, logistics, as a design consultant and a founder-in-residence.

Prior to Scout, Daniel worked as a Founder-in-Residence at Sandbox Industries, a startup incubator in Chicago. During his time at Sandbox, Daniel was charged with overseeing every aspect of starting and running companies on behalf of Sandbox and the incubation team. His responsibilities included initial market research, concept development, financial modelling, design strategy, prototyping, pitching, project management and fundraising. It was during this time that he honed his skills for starting and scaling new ventures. Also, while at Sandbox, Daniel met David Shapiro and the two started working together professionally.

Prior to graduate school, Daniel worked for MAYA design as a design consultant, working on design-related projects for Fortune 500 companies. He also spent two years as a Sales Account Executive with Total Quality Logistics, where he gained a depth of knowledge in supply chain operations.

Daniel does not currently hold any other directorships and will work full-time with Scout.

David Shapiro
(Incoming) Chief Technology Officer

David received a Bachelor of Science and Arts in computer science from Miami University of Ohio.

Prior to Scout, David worked at Sandbox Industries in Chicago Illinois as a lead developer. Similar to his role at Scout, David was responsible for overseeing and implementing the creation of technology stacks for the various projects he worked on during his time at Sandbox.

Prior to Sandbox, David worked at JPMorgan Chase as a software engineer. His role primarily focused on application development for Private Client Services within the Asset and Wealth Management group at JPMorgan Private Bank.

David does not currently hold any other directorships and will work full-time with Scout.

John Strong
(Incoming) Non-Executive Chairman

John received his Bachelor of Political Science from the University of New Mexico.

Preceding his involvement with Scout, John, worked as a prolific angel investor (VC) with a 25 company startup portfolio. One of the companies experienced a successful merger, while the remaining majority recently accomplished efficacious series A/B rounds.

Prior to angel investing, John started and operated an extremely lucrative art business selling $150MM USD in historic western art over a 10-year period. The experience collected from the art industry assisted him to develop the necessary skillset to cofound an accelerator in the Irvine startup scene, as social media platform for small business and entrepreneurs. Additionally, John intimately worked with founders on technology-based projects both in hardware and software with companies such as Altered Reality, Matterfab, Chec, and Particle to assist in the development process and marketing solutions.

John's collective understanding in the technology space positions him to be an invaluable asset to the board of Scout moving forward with expansion post-IPO.

Mr Strong is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgment.

John is currently a director of Adaptive Medias Inc., Combo Trip LLC and Derma-Tec LLC (New Mexico) and anticipates that he will spend such time as is required to adequately perform his role as non-executive Director of the Company.

Anthony Brown
(Incoming) Non-Executive

Anthony has been involved in the electronic security industry for over 25 years, with a career that spans all facets of the security, from mechanical, physical, electronic and the logical areas of security.

Anthony currently consults to major organisations in Australia and the Asia Pacific, with prior positions held being as the company owner of a systems integration business that was sold to Schneider Electric, general manager of several successful organisations and as the regional director for critical infrastructure for Smiths Detection.

During Anthony's leadership, his organisations have won major awards for product sales and system installations within Australia and the Asia Pacific.

Anthony is a high-energy leader with entrepreneurial flare, excellent communication skills and a passionate commitment to professionalism at all levels of an organisation.

Mr Brown is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgment.

Mr Brown is currently a director of Jarvis Brown Pty Ltd and JarvisBrown Super Pty Ltd. Mr Brown anticipates that he will spend such time as is required to adequately perform his role as non-executive Director of the Company.

Solomon Majteles
(Incoming) Non-Executive Director
LLB (WA), FAICD

Mr Majteles is a commercial lawyer and has been in private legal practice since 1972. He has over 40 years' experience in business, corporate, property and commercial law. Since 1983 he has been a director of a number of public listed companies operating in the mining and exploration sector (gold, base metals, coal, uranium, oil and gas) and in the biotech and technology sectors.

Mr Majteles was previously a director of Australian Gaming & Entertainment Ltd, (AG&E), having been appointed as a director on 31 January 2011. In early 2014 AG&E sought to fund the purchase of a portfolio of hotels in Sydney, New South Wales through an initial public offer of shares to raise $80 million. The IPO was unsuccessful which resulted in the directors having to place the company into voluntary administration in April 2014. The creditors of the company subsequently resolved to appoint a liquidator to the company in July 2014.

Mr Majteles is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgment.

Sol is currently non-executive Metals Australia Limited (ASX:MLS) and a non-executive director of Thred Limited (ASX:THD) and anticipates that he will spend such time as is required to adequately perform his role as non-executive Director of the Company.

Stuart Usher
Company Secretary
MBA CPA AGIA ACIS Grad Dip CSP BBus

Mr Usher is a CPA and Chartered Company Secretary with 20 year's extensive experience in the management and corporate affairs of public listed companies. He holds an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

10.2 Key Team Members

** None of the parties set out below have been involved in the preparation of this Prospectus.

(a) **Arlene Greene** – Vice President of Business Development

Arlene has over 15 years of experience working with utilities, telecoms, cable providers and satellite television partners during her tenure at Acceller.

Prior to Scout, Arlene was a co-founder of Acceller and, before that, the GM of Lotus Development (now IBM).

Arlene was influential in securing the aforementioned deals with Direct Energy and DSI.

Arlene holds a BA in English from the University of Massachusetts and a graduate degree in Delivering Information Services from the Harvard University Graduate School of Business.

(b) **Kevin Brennan** - Contract COO / Head of Operations

Kevin has over 25 years of experience in the Consumer Electronics Industry, traveling extensively to Asia for factory selection, supply chain audits, establishing sales channels, product development and sourcing support.

Kevin has held senior management positions for companies including International Components Corporation, Valence Technology Inc. and Hi-P International. In these roles, Kevin worked with many original equipment manufacturers (OEMs), including Motorola, RIM, P&G and Amazon.

In addition to corporate roles, Kevin was recently COO and early team member of LUNATIK, helping take the company from crowdfunding success to a recognized global brand.

10.3 Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise its operations, expansion and research and development, and the Board will continually monitor the management roles in the Company. As the Company's projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

10.4 Proposed Remuneration of incoming Directors

Details of the incoming Directors' remuneration are set out in the table below:

Director	Proposed Remuneration for year ended 30 June 2017[1]
Daniel Roberts[2&3]	US$150,000
David Shapiro[2&3]	US$150,000
John Strong	US$37,500
Anthony Brown	AU$50,000
Sol Majteles	AU$50,000

Notes:

1. Amounts are base salary and fees and are exclusive of superannuation and share based payments.
2. Messrs Roberts and Shapiro are receiving 18,000,000 Performance Shares each in connection with the Acquisition. The conversion of the Performance Shares are subject to certain milestones. Refer to Section 12.3 for more details.
3. Messrs Roberts and Shapiro were paid, as directors of Scout, US$100,000 each for the financial year ended 30 June 2016.

The Company will be responsible for paying withholding tax on behalf of the Majority Shareholders in the event that the Performance Shares are converted into Shares. As a result, the Performance Shares contain a term under which the Performance Shares may convert on a less than one for one basis in order to offset the withholding tax paid by the Company. ASX has approved the terms of the Performance Shares.

The agreements the Company has entered into with the incoming Directors are set out in Section 11.5 and 11.6.

10.5 Director interests in Securities

Directors are not required under the Company's current constitution to hold any Shares to be eligible to act as a director.

Details of the Directors' relevant interest in the Securities of the Company upon completion of the Offers are set out in the table below:

Director	Shares	Options	Performance Shares[2]	Voting Power (undiluted)[3]	Voting Power (fully diluted)[3]
Existing Directors					
Ananda Kathiravelu	822,083	13,000,000[4]	Nil	0.81%	8.71%
Michael Shaw-Taylor	862,455	2,000,000[4]	Nil	0.85%	1.80%
Daniel Moore	Nil	Nil	Nil	Nil	Nil
Incoming Directors					
Daniel Roberts	7,943,397	Nil	18,000,000	7.80%	16.34%
David Shapiro	7,747,861	Nil	18,000,000	7.61%	16.22%
John Strong	4,641,277	2,000,000[1]	Nil	4.56%	4.18%
Anthony Brown	1,231,756	2,000,000[1]	Nil	1.21%	2.04%
Sol Majteles	150,000	2,000,000[1]	Nil	0.15%	1.35%

Notes:

1. Anthony Brown, Sol Majteles and John Strong have entered into non-executive Director agreements with the Company whereupon they will be entitled to 2,000,000 Options each (exercisable at $0.30 per Share within 3 years of being issued, with a vesting period of 2 years) to be issued at Settlement.
2. Terms of the Performance Shares are set out in Section 12.3. In particular, due to withholding tax payable by the Company upon conversion of the Performance Shares, the Performance Shares will convert into Shares on less than a one for one basis.
3. Assuming that the Company raises the Minimum Subscription of $5,000,000 under this Prospectus and, in relation to the fully diluted voting power, assuming that all Performance Shares are converted into Shares on a one for one basis (which is unlikely to be the case) and all Options are exercised.
4. Ananda Kathiravelu is principal of Armada Capital, which is receiving 15,000,000 Capital Raising Options in connection with the Public Offer in accordance with the terms of the Mandate summarised in Section 11.4. It is anticipated that the Capital Raising Options will be distributed to persons who have assisted with the raising funds under the Offer, including Michael Shaw-Taylor who may receive up to 2,000,000 Capital Raising Options.

The maximum voting power of each of the Majority Shareholders, assuming that $5,000,000 is raised under the Public Offer and no convertible securities are converted other than their Performance Shares (which are assumed for the purpose of these calculations to be on a one for one basis), is:

(a) 18.83% in relation to Daniel Roberts; and

(b) 18.03% in relation to David Shapiro.

10.6 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section on the Company's website www.scoutalarm.com.

Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $250,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (in the case of Directors), the Managing Director (in the case of the Chairman and other key management personnel) or Board (in all cases) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

10.7 Departures from Recommendations

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out in the Annexure to this Prospectus.

11. MATERIAL CONTRACTS

11.1 Manufacturing Contract

Scout entered into a manufacturing services agreement (governed by laws in the State of Illinois) on 17 July 2014 (**Manufacturing Services Agreement**) with Sysgration Limited (**Sysgration**) whereby Sysgration was granted a non-exclusive licence to use Scout's intellectual property to manufacture and package Scout's products that incorporate certain trademarks and proprietary designs or rights (**Products**) owned or licensed to Scout (**Services**).

Scout will pay the material cost for materials purchased by Sysgration for use in Products manufactured by Sysgration plus any applicable material margins such as any special material costs, labour and any tooling purchased by Sysgration on behalf of Scout.

Sysgration is responsible for procuring the materials and components to be utilised for the Services. However, ownership of the materials remains the property of Scout as well as tooling, equipment, software and firmware. In addition, any newly created intellectual property (or rights to intellectual property) created or developed in connection with the Services will remain the property of Scout.

The Manufacturing Services Agreement automatically renews for successive one-year terms. Either party may terminate by giving a minimum of 6 months' notice to the other party or upon written notice in the event of insolvency, commencement of a liquidation or breach of any representation, warranty or covenant.

11.2 Heads of Agreement

A summary of the terms of the HOA is as follows:

(a) (**Option Fee**): the Company paid an option fee of AUD$500,000 following its election to exercise the option to purchase 100% of the issued capital in Scout which is held by the holders of common stock (**Scout Common Stock**) (**Stockholders**) in their respective proportions as set out in the HOA;

(b) (**Consideration**): the consideration payable for the Acquisition is the issue of 69,900,000 Shares to the stockholders of Scout (**Consideration Shares**);

(c) (**Conditions Precedent**): completion of the Acquisition is conditional upon the satisfaction (or waiver) of the following outstanding Conditions Precedent:

   (i) the Company undertaking a capital raising and receiving valid applications for at least AUD$5,000,000 worth of Shares under the capital raising;

   (ii) the Company being satisfied in its sole discretion (acting reasonably and in good faith) that:

      (A) all series seed and series A preferred stock;

      (B) all warrants (to acquire Scout Common Stock); and

      (C) all convertible notes simple agreement for future equity, on issue or scheduled to be on issue in Scout at the Settlement Date will be converted into Scout Common Stock prior to or at Settlement and any persons who are issued Scout Common Stock between the date of the HOA and prior to or at Settlement (including those persons who receive Scout Common Stock will have their Scout Common Stock acquired by the Company as part of the Merger, such that, at Settlement, the Company shall acquire all Scout Common Stock then on issue and Scout shall otherwise have no securities on issue or rights to acquire securities in existence;

(iii) if required, the Company being granted a modification under sections 259C(2) and 655A of the Corporations Act, to enable it to implement the Merger;

(iv) conditional approval being obtained from ASX to grant official quotation of the securities of the Company to trading on ASX (after the Company complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of the Company and Scout;

(v) Scout obtaining all necessary Stockholder and regulatory approvals required to implement the Merger;

(vi) the parties obtaining all necessary regulatory approvals (including ASX approvals and waivers and ASIC relief) to complete the Acquisition;

(vii) the Company obtaining all requisite shareholder approvals pursuant to the Corporations Act and its constitution to give effect to the transactions contemplated by this HOA (including, if required, pursuant to item 7 of section 611 of the Corporations Act as a result of any Shareholder acquiring a voting power in the Company in excess of 20%);

(viii) ASX approving the terms of the Performance Shares under ASX Listing Rules 6.1 and 6.2; and

(ix) the Company:

(A) incorporating a Delaware corporation, which will become a wholly owned subsidiary of the Company (**Company Subsidiary**);

(B) filing a certificate of corporate domestication and a certificate of incorporation with the Secretary of State of Delaware, in accordance with section 388 of the Delaware General Corporations Law pursuant to which the Company will become domesticated in the state of Delaware and thereafter treated as a “domestic corporation” within the meaning of sections 7701(a)(3)-(4) of the Code and Treasury Regulations section 301.7701-5;

(C) securing an Employer Identification Number by application on IRS Form SS-4; and

(D) entering into and causing the Company Subsidiary to enter into, an agreement and plan of merger by and among Scout, the Company and the Company Subsidiary in a form and substance reasonably satisfactory to Scout pursuant to which the Company Subsidiary will merge with and into Scout, with Scout surviving the merger, in a transaction intended to constitute a reorganisation within the meaning of section 368(a) of the Code;

(d) (**Capital Raising Options**) at Settlement the Company will issue 15,000,000 Options to Armada Capital and parties nominated by the Company in consideration for assisting to raise funds under the Capital Raising; and

(e) (**Board Changes**): upon Settlement, the existing directors of the Company, will retire and two nominees of Scout will be appointed to the Board of the Company.

The HOA otherwise contains terms, conditions and restrictions which are customary for an agreement of its nature.

11.3 Delaware Law "Merger"

The Company and Scout entered into an agreement and plan of merger on 28 February 2017 (**Merger Agreement**) whereby the Company will become domesticated in the state of Delaware in accordance with the applicable provisions of Delaware Law, and incorporate a Delaware corporation, which will be a wholly-owned subsidiary of the Company (**Merger Subsidiary**) which shall be merged with and into Scout following which the Merger Subsidiary will cease to exist and Scout will be the surviving corporation (**Merger**).

Pursuant to the Merger Agreement, the outstanding shares of Scout's capital stock shall be converted into the right to receive the Consideration Shares.

The Merger is subject to the following conditions:

(a) the approval of the Merger of stockholders of Scout by the requisite vote under Delaware Law and Scout's Certificate of Incorporation;

(b) all conditions precedent in the HOA having been satisfied or waived in accordance with the terms of the HOA;

(c) any governmental approvals; and

(d) no injunctions or restraining orders having been made.

In order to consummate and effect the Merger and the transactions contemplated by the Merger Agreement, Scout will use its best endeavours to obtain the written consent of all or almost all of the stockholders to the Merger which precludes any dissenting stockholders.

All conditions precedent for completion of the Acquisition will be satisfied by the time the merger is effected and the Consideration Shares are issued. If any conditions are not satisfied, the Acquisition will not proceed and the Merger will not occur.

11.4 Lead Manager Mandate – Armada Capital and Equities Pty Ltd

Scout Security Inc. entered into a mandate letter on 27 April 2016 with Armada Capital (as amended by agreement dated 10 October 2015)) pursuant to which Armada Capital has agreed to act as Lead Manager of the Public Offer (**Mandate**). Scout has agreed to pay Armada Capital the following fees and issue Armada Capital the following Options under the Mandate on completion of the Public Offer:

(a) pay a placing fee of 5% and a management fee of 1% (excluding GST) of all funds raised (excluding the US$2 million interim capital raising (**Lead Manager Fee**);

(b) pay AU$75,000 success fee upon execution of the HOA and a further AU$100,000 on completion of the Acquisition;

(c) monthly retainer of $10,000 plus GST for 18 months commencing on 12 April 2016; and

(d) issue 15,000,000 Capital Raising Options on the terms and conditions set out in Section 12.4.

Armada Capital will also be entitled to reimbursement of its reasonable expenses (including travel expenses) plus GST incurred in respect of the Public Offer. Armada Capital must obtain Scout's consent prior to incurring any single expenses greater than $1,000.

The Mandate may be terminated by Scout (at its discretion) within 90 days' notice to Armada Capital. Armada Capital may terminate the Mandate in the event of Scout's material breach, any warranty or representation is not complied with or proves to be untrue, if Scout becomes insolvent or if a court makes an order.

11.5 Executive Employment Agreements

Scout has entered into executive employment agreements (**Executive Employment Agreements**) with Daniel Roberts and David Shapiro (**Executives**), dated 28 February 2017, pursuant to which the Company has engaged:

(a) Daniel Roberts as Chief Financial Officer; and

(b) David Shapiro as Chief Technology Officer.

The material terms and conditions of the Executive Employment Agreements are summarised below:

(a) **Term:** The Executive Employment Agreements do not contain a fixed term, and will continue in force until terminated in accordance with their provisions.

(b) **Remuneration:** Both Daniel Roberts and David Shapiro will be paid an annual salary of US$150,000.

(c) **Incentive Programs:** Both Daniel Roberts and David Shapiro will be entitled to participate in employee incentive programs offered by the Company, at the Board's discretion. In this regard, the Company has agreed to issue each of the Executives 18,000,000 Performance Shares, 4,550,000 of which will be issued to each of the Executives as consideration for Executive's surrender to Scout for cancellation of 924,316 shares of Scout stock immediately prior to the Merger.

(d) **Termination:** Scout may at its sole discretion terminate the Employment in the following manner:

(i) by giving not less than one (1) month's written notice if at any time:

(A) the Executive is or becomes incapacitated by illness or injury of any kind which prevents the Executive from performing duties under the Executive Employment Agreements for a period of two (2) consecutive months or any periods aggregating two (2) months in any period of 12 months during the term of the Employment; or

(B) is or becomes of unsound mind or under the control of any committee or officer under any law relating to mental health for a period of two (2) consecutive months;

(ii) by giving one (1) month's written notice if at any time the Executive:

(A) commits any serious or persistent breach of any of the provisions contained in the Executive Employment Agreement and the breach is not remedied within 14 days of the receipt of written notice from Scout to the Executive to do so;

(B) in the reasonable opinion of the Board, is absent in, or demonstrates incompetence with regard to the performance of the Executive's duties under this Agreement, or is neglectful of any duties under this Agreement or otherwise does not perform all duties under the Executive Employment Agreement in a satisfactory manner, provided that the Executive:

(I) has been counselled on at least three separate occasions of the specific matters complained of by the Board; and

(II) after each such occasion has been provided with a reasonable opportunity of at least a month to remedy the specific matters complained of by the Board;

(C) the Executive commits or becomes guilty of any gross misconduct; or

(D) refuses or neglects to comply with any lawful reasonable direction or order given to the Executive by Scout which the Executive, after receipt of prior notice, has failed to rectify to the reasonable satisfaction of Scout within 21 business days of receipt of that notice;

(iii) summarily without notice if at any time the Executive is convicted of any major criminal offence which brings Scout or any of its affiliates into lasting disrepute, by giving notice effective immediately and without payment of any salary other than salary accrued to the date of termination or breaches the insider trading provisions of the Executive Employment Agreement; or

(iv) without reason by giving three (3) months' written notice to the Executive and, at the end of that notice period, making a payment to the Executive equal to the Salary payable over a three (3) month period.

The Executive Employment Agreements contain other standard terms and conditions expected to be included in contracts of this nature.

11.6 Non-executive appointment letter agreements

Scout has entered into appointment letter agreements with Messrs Strong, Brown and Majteles pursuant to which the Company has engaged Messrs Strong, Brown and Majteles as non-executive Directors of the Company (**Appointment Agreements**). Messrs Strong, Brown and Majteles employment commences at Settlement.

Pursuant to the Appointment Agreements, Scout will pay a base salary of A$50,000 (US$37,500) (**Base Salary**). In addition, Messrs Brown, Majteles and Strong will be entitled to 2,000,000 Options (exercisable at $0.30 on or before 3 years from date of issue with a two year vesting period) to be issued at Settlement.

Mr Brown will also be entitled to receive an additional $2,000 per day in circumstances where the Company engages Mr Brown for consulting work and beyond the work reasonably required as a non-executive director.

Appointments commence on the date the Company is listed on the ASX and shall continue and be subject to the Company's constitution relating to retirement by rotation and re-election and will cease at the end of any meeting at which the relevant director is not re-elected to office. The Appointment Agreements contain other standard terms and conditions expected to be included in a contract of this nature.

11.7 Deeds of Indemnity, Insurance and Access

The Company is in the process of finalising deeds of indemnity, insurance and access with each of its Incoming Directors and will enter into such deeds with the Incoming Directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

12. ADDITIONAL INFORMATION

12.1 Litigation

As at the date of this Prospectus, neither the Company nor Scout are involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company or Scout.

12.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid or credited as paid is of the total amounts paid and payable in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they believe to be justified subject to the requirements of the Corporations Act. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement, on such terms and conditions as the Directors think fit (a) a dividend reinvestment plan which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares and (b) a dividend election plan permitting holders of Shares to the extent that the Shares are fully paid, to have the option to elect to forego the right to share in any dividends (whether interim or otherwise) payable in respect of such Shares and to receive instead an issue of Shares credited as fully paid up to the extent as determined by the Directors.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

12.3 Terms and Conditions of the Performance Shares

12.3.1 Terms of Performance Shares

(a) (**Performance Shares**): Each Performance Share is a share in the capital of Company.

(b) (**General Meetings**): The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of the Company.

(c) (**No Voting Rights**): The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.

(d) (**No Dividend Rights**): The Performance Shares do not entitle the Holder to any dividends.

(e) (**No Rights on Winding Up**): Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company.

(f) (**Transfer of Performance Shares**): The Performance Shares are not transferable.

(g) (**Reorganisation of Capital**): In the event that the issued capital of the Company is reconstructed, all rights of a Holder of Performance Shares will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.

(h) (**Application to ASX**): The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must, within seven (7) days after the conversion, apply for and use its best efforts to obtain the official quotation on ASX of the Shares issued from the conversion.

(i) (**Participation in Entitlements and Bonus Issues**): Subject always to the rights under item (g) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(j) (**Amendments required by ASX**): The terms of the Performance Shares may be amended as necessary by the Company's board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

(k) (**No Other Rights**): The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

12.3.2 Conversion of the Performance Shares

(a) (**Milestones**): The Performance Shares will, subject to paragraphs (b) and (f), automatically convert into Shares upon satisfaction of any one of the following milestones:

(i) One third (1/3) of all Performance Shares held by the Holder as at the date of issue of the Performance Shares (“**Issue Date**”) shall convert into an equal number of Shares upon the Company achieving revenue of US$1,500,000 within 6 months following the Issue Date and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company’s audited financial statements;

(ii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert into an equal number of Shares upon the Company achieving revenue of US$4,000,000 within 12 months following the Issue Date and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company’s audited financial statements; and

(iii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert into an equal number of Shares upon the Company achieving revenue of US$6,000,000 within 18 months following the Issue Date and such revenue is confirmed by the signed attestation of a registered company auditor, or such revenue is properly included in the Company’s audited financial statements,

(each referred to as a “**Milestone**”).

(b) (**Conversion on change of control**) Subject to paragraphs (c) and (f) and notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:

(i) a takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or

(ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

that number of Performance Shares that is equal to 10% of the Shares on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

(c) (**Conversion of Performance Shares**): Subject to paragraphs (b)(i), (b)(ii) and (f) below, in the event a Milestone is satisfied, the Performance Shares held by the Holder automatically will convert into an equal number of Shares. If:

(i) the conversion of the Performance Shares into Shares would result in the Holder being in contravention of section 606(1) of the Corporations Act, then the conversion of such number of Performance Shares that would cause the contravention will be deferred (**Deferred Conversion Performance Shares**) until such time or times thereafter the conversion would not result in such a breach; and

(ii) the above paragraph (b)(i) applies, the Company shall as soon as practicable call a meeting of its shareholders for the purposes of obtaining approval under item 7, section 611 of the Corporations Act for the conversion of the Deferred Conversion Performance Shares into the Shares.

(d) (**No Conversion if Milestone not Achieved**): If the relevant Milestone is not achieved by the required date, then all Performance Shares held by each Holder the subject of that Milestone shall convert into 1 Share.

(e) (**After Conversion**): The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion, in accordance with item 1(h) (Application to ASX) above.

(f) (**Conversion Procedure**): Within ten (10) Business Days following the date that a Milestone is met:

(i) the Company shall issue to the Holder as conversion of the Performance Shares, such number of Shares as is determined using the following formula:

$$A = B - (B \, x \, C)$$

Where:

A = The number of Shares to be issued to the Holder upon conversion of the Performance Shares.

B = The number of Performance Shares in relation to which a Milestone has been met.

C = The combined applicable domestic and/or foreign tax withholding rate required to satisfy the Holder's applicable domestic and/or foreign income and payroll tax obligations with respect to the Shares described as "A" in this formula as determined by the Holder, taking into account the Share Value (as determined in accordance with the formula set out in paragraph (f)(ii) below) and communicated in writing to the Company within five (5) Business Days of the relevant Milestone having been met in relation to the Performance Shares, provided each rate comprising such combined rate shall not be less than the minimum applicable domestic and/or foreign tax withholding rate as required by law as of the date that the relevant Milestone is met.

(ii) the Company shall remit or cause to be remitted to the appropriate taxing authorities the Company's share of any payroll taxes with respect to the Shares issuable to the Holder upon conversion of the Performance Shares and the amount determined in accordance with the formula below:

$$D = E \, x \, F$$

Where:

D = The amount to be paid by the Company.

E = The number of Performance Shares in relation to which a Milestone has been met less the number of Shares to be issued as determined under paragraph (f)(i) above.

F = The volume weighted average price of Company Shares for the 15 trading days immediately prior to the date that the relevant Milestone has been met.

(iii) the Company and its affiliates, and the Holder, shall file all tax returns and information returns, and pay all taxes, except as required by law; and

(iv) the Company will issue the Holder with a new holding statement for the Shares issued to the Holder upon conversion of the Performance Shares (as determined in accordance with paragraph (e)(i) above).

By way of example, set out below is a table setting out the number of Shares into which the Performance Shares will convert based on differing tax rates (assuming all 36,000,000 Performance Shares are converted):

Combined Tax Rate of Holders	Shares to be issued
25%	27,000,000
35%	23,400,000
45%	19,800,000

It is anticipated that the combined tax rate applicable to each of of the Holders will be approximately 25%.

12.4 Terms and Conditions of the Capital Raising Options

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be a 125% premium to the price at which funds are raised under the Capital Raising (**Exercise Price**)

(c) **Expiry Period and Date**

Each Option will expire at 5:00 pm (WST) on the date that is 3 years from the date of listing on ASX (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option 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 Option being exercised in cleared funds (**Exercise Date**).

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

Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

(iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(iv) 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

(v) 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 Options.

If a notice delivered under (g)(iii)(B) 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 Options 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 an Optionholder 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 Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

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

(l) **Transferability**

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

12.5 Terms and conditions of Director Options

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be $0.30 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on or before three years after the issue date (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Condition**

The Options will not vest and may not be exercised until the expiry of a two year period commencing on the date of issue (**Vesting Condition**). This Vesting Condition may be waived by the Board.

(e) **Exercise Period**

The Options are exercisable at any time on and from the date upon which the Vesting Condition is satisfied until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

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

(g) **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 Option being exercised in cleared funds (**Exercise Date**).

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

Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

(iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(iv) 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

(v) 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 Options.

If a notice delivered under (h)(iv) 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.

(i) **Shares issued on exercise**

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

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

(l) **Change in exercise price**

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

(m) **Transferability**

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

12.6 Employee Share Option Plan

The Company has adopted an Incentive Option Plan to allow eligible participants to be granted Options to acquire Shares in the Company. The principle terms of the Plan are summarised below.

The key terms of the employee incentive option plan (**Option Plan** or **Plan**) are as follows:

(a) **Eligibility and Grant of Plan Options**: The board of the Company (**Board**) may grant Options under the Option Plan (**Plan Options**) to any full or part time employee or Director of the Company or an associated body corporate or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor **of** the Company or any or an associated body corporate (**Eligible Participant**). Plan Options may be granted by the Board at any time.

(b) **Consideration**: Unless the Options are quoted on the ASX, Options issued under the Plan will be issued for no more than nominal cash consideration.

(c) **Conversion:** Each Plan Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(d) **Exercise Price and Expiry Date**: The exercise price and expiry date for Plan Options granted under the Plan will be determined by the Board prior to the grant of the Plan Options.

(e) **Exercise Restrictions**: The Plan Options granted under the Plan may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Plan Options.

(f) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).

(g) **Lapsing of Plan Options**: Subject to the terms of the offer made to a Participant, an unexercised Plan Option will lapse:

(i) on the Eligible Participant ceasing employment with the Company and:

(A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (**Ceasing Date**); or

(B) where any Exercise Conditions have been met by the Ceasing Date or the Plan Option is not subject to any Exercise Conditions, the Participant does not exercise the Plan Option within a period of six (6) months after the

Ceasing Date (or a further date as determined by the Board after the Ceasing Date);

(ii) if any Exercise Condition is unable to be met; or

(iii) the expiry date has passed.

(h) **Share Restriction Period**: Shares issued on the exercise of Plan Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Plan Options.

(i) **Disposal of Options:** Plan Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

(j) **Trigger Events**: The Company may permit Plan Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.

(k) **Participation:** There are no participating rights or entitlements inherent in the Plan Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Plan Options.

(l) **Change in exercise price**: A Plan Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Plan Option can be exercised.

(m) **Reorganisation**: If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(n) **Limitations on Offers**: The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Plan Options offered under an offer when aggregated with:

(i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and

(ii) the number of Shares issued during the previous 5 years from the exercise of Plan Options issued under the Plan (or any other employee share plan of the Company extended only to Eligible Participants),

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can ASIC Class Order 03/184).

12.7 Taxation – U.S.

12.7.1 Tax Residence of the Company

Due to the circumstances of the Company's formation, the Company is treated as a U.S. corporation for U.S. tax purposes, and is therefore subject to U.S. tax laws. U.S. tax law imposes U.S. federal income tax on the Company's worldwide income and withholding taxes on certain distributions with respect to, and on certain dispositions of, Shares in the Company, as further described below. Each investor should consult its own tax advisor for more information regarding the potential effects of U.S. tax law (including under the Foreign Account Tax Compliance Act, described below) on holders of Shares.

Despite being treated as a U.S. corporation for U.S. tax purposes, the Company will still be treated as an Australian resident for Australian tax purposes and therefore subject to Australian income tax as well as United States income tax. As a dual resident, the Company will not be entitled to any of the benefits available under the Australia/United States Double Tax Agreement to U.S. corporations which are not residents of Australia or to Australian resident companies which are not U.S. corporations. Despite this, the Company understands that under current Australian tax law, the income from its conduct of business in the United States (or other countries outside Australia) through one or more fixed places of business in the United States (or that other country) would generally not be subject to Australian income tax. Australian income taxes payable on income from the Company's conduct of business in Australia may be creditable against the Company's U.S. income tax liabilities under the United States foreign tax credit regime. However, the rules governing utilization of United States foreign tax credits are complex, and the limitations imposed thereunder could prevent the Company from crediting some or all of its Australian income taxes against its U.S. tax liabilities.

The payment of Australian income tax would give rise to franking credits which, to that extent, would enable the company to frank, or partially frank, any dividends which it distributes to shareholders. The extent to which those franking credits arise would depend upon the extent to which the Company's income is subject to Australian, as opposed to US, income tax; the payment of U.S. income tax does not give rise to franking credits or any comparable benefits.

12.7.2 Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders of Shares

The following discussion summarises certain U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of an investment in the Company. This discussion assumes that Non-U.S. Holders hold Shares as a capital asset (generally, property held for investment) and does not address all of the U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special treatment under U.S. federal income tax law.

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of Shares that, for U.S. federal income tax purposes, is not (i) an individual who is a citizen or resident of the United States, (ii) an entity created or organized under the law of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable Treasury Regulations to be treated as a United States person, or (v) an entity treated as a partnership.

(a) **Distributions with Respect to Shares**

Subject to the discussion under the sub-section 12.7.2(c) below entitled "Foreign Account Tax Compliance Act", distributions made by the Company with respect to its Shares will be treated as U.S.-source dividends generally subject to U.S. federal withholding tax at a 30% rate to the extent of the Company's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent the amount of a distribution exceeds the Company's current and accumulated earnings and profits, the distribution will be treated first as a non-taxable return of capital to the extent of a Non-U.S. Holder's adjusted tax basis in the Shares and thereafter as gain from the sale of such Shares which is only subject to U.S. federal income tax as described under the sub-section 12.7(b)(ii) below entitled "Gain on Sale or Other Disposition of Shares".

Australian residents may qualify for a reduced rate of dividend withholding tax, of 15%, under the tax treaty between Australia and the United States. To obtain a reduced rate of U.S. federal withholding tax on dividends under an applicable income tax treaty, a Non-U.S. Holder will be required to certify its entitlement to benefits under the treaty, generally on a properly completed IRS Form W-8BEN, W-8BEN-E, or other form, as appropriate. U.S. backup withholding tax (currently at a rate of 28%) may generally be imposed on distributions to certain Non-U.S. Holders that fail to provide a properly executed IRS Form W-8BEN, W-8BEN-E, or other form, as appropriate.

However, dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business within the United States and, where required by an income tax treaty, that are attributable to a permanent establishment or fixed base of the Non-U.S. Holder, are not subject to the withholding tax described in the previous paragraph, but instead are subject to U.S. federal net income tax at graduated rates, provided the Non-U.S. Holder complies with applicable certification and disclosure requirements, generally by providing a properly completed IRS Form W-8ECI. Non-U.S. Holders that are corporations conducting a trade or business in the United States may also be subject to an additional branch profits tax at a 30% rate, except as may be provided by an applicable income tax treaty.

In addition, certain information reporting requirements may apply to the Company with respect to any distributions paid to Non-U.S. Holders.

(b) **Gain on Sale or Other Disposition of Shares**

Subject to the discussion under the sub-section 12.7.2(c) below entitled "Foreign Account Tax Compliance Act", a Non-U.S. Holder will not be subject to U.S. federal income tax in respect of any gain on a sale or other disposition of Shares unless:

(i) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States and, where required by an income tax treaty, is attributable to a permanent establishment or fixed base of the Non-U.S. Holder;

(ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met; or

(iii) the Company is or has been a "U.S. real property holding corporation" during the shorter of the five-year period preceding the disposition and the Non-U.S. Holder's holding period for the Shares.

Non-U.S. Holders described in any of the bullet points above should consult their tax advisors regarding the U.S. federal income tax consequences to them of a sale or other disposition of the Shares. The Company does not expect to be a U.S. real property holding corporation at the completion of the Public Offer and intends to inform Shareholders, by posting a notice on its website, if it becomes aware that it is a U.S. real property holding corporation.

(c) **Foreign Account Tax Compliance Act**

Pursuant to the Foreign Account Tax Compliance Act (FATCA), withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as defined under those rules) and certain other non-U.S. entities. The failure to comply with additional certification, information reporting and other specified requirements could result in a withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain Non-U.S. Holders. A 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, Shares in the Company paid to a foreign financial institution or to a non-financial foreign entity, unless (I) the foreign financial institution undertakes certain diligence and reporting obligations, (II) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (III) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (I) above, it generally must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States concerning FATCA may be subject to different rules.

Under the applicable United States Treasury regulations and administrative guidance, the FATCA provisions described above generally apply to payments of dividends on the Company's Shares and will apply to payments of gross proceeds from a sale or other disposition of Shares on or after 1 January 2019. Prospective investors are encouraged to consult their tax advisors regarding the potential application of withholding under FATCA to an investment in Shares in the Company.

The preceding summary is not a complete description of all tax consequences relating to the ownership and disposition of shares in the company and is not tax advice. Prospective holders of shares in the company should consult with their tax advisors regarding the tax consequences to them of the ownership and disposition of shares.

12.8 Interests of Directors

Ananda Kathiravelu, a current Director of the Company, is principal of Armada Capital Limited, which has been appointed lead manager of the Public Offer and corporate advisor to the Company in accordance with the Mandate summarised in Section 11.4.

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

  (i) its formation or promotion; or

  (ii) the Offers; or

(c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(d) as an inducement to become, or to qualify as, a Director; or

(e) for services provided in connection with:

  (i) the formation or promotion of the Company; or

  (ii) the Offers.

12.9 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company ; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

  (i) its formation or promotion; or

  (ii) the Offers; or

(c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(d) the formation or promotion of the Company; or

(e) the Offers.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay BDO a total of $15,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has not received any fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin $70,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has billed fees totalling $11,818 to the Company for other services.

Armada Capital has acted as Lead Manager in relation to the Public Offer. The Company estimates it will pay Armada Capital the fees set out in Section 11.4 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Armada Capital has received fees totalling $30,543.12 from Scout.

12.10 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus, Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant and Auditor of the Company in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Armada Capital has given its written consent to being named as Lead Manager to the Public Offer. Armada Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as Auditor of the Company in this Prospectus and to the inclusion of the Company's audited financial information in the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Mueller & Co LLP has given its written consent to being named in this Prospectus as the auditor of Scout and to the inclusion of the audited financial statements for Scout for the financial years ended 2014, 2015 and 2016 (which financial statements have been incorporated by reference into this Prospectus as described in Section 9) and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

12.11 Expenses of the Offers

The total expenses of the Offers (excluding GST) are estimated to be approximately $537,705 for minimum subscription or $658,705 for full oversubscriptions and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription ($)	Full Oversubscriptions ($)
ASIC fees	2,350	2,350
ASX fees	80,355	81,355
Lead Manager Fee	360,000	480,000
Legal Fees	70,000	70,000
Investigating Accountant's Fees	15,000	15,000
Miscellaneous	10,000	10,000
TOTAL	**537,705**	**658,705**

12.12 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

12.13 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.scoutalarm.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.14 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

12.15 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

12.16 Privacy Statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

13. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

____

Ananda Kathiravelu
Director
For and on behalf of
Scout Security Limited

14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

$ means an Australian dollar.

Acquisition means the acquisition of Scout Security Inc. pursuant to the HOA.

Application Form means the application form attached to or accompanying this Prospectus relating to the Public Offer, the Consideration Offer, the Capital Raising Options Offer and the Director Options Offer.

Armada Capital means Armada Capital and Equities Pty Ltd (ACN 121 843 025).

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

Capital Raising means the raising of up to $6,000,000 pursuant to this Prospectus.

Capital Raising Options means 15,000,000 Options to be issued pursuant to the Mandate with the terms and conditions set out in Section 12.4.

Closing Date means the closing date of the Offers as set out in the indicative timetable in the Investment Overview in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offers early).

Company means Scout Security Limited (ACN 615 321 189).

Consideration Offer means the offer of the Consideration Shares and Performance Shares in accordance with the HOA.

Consideration Shares means 69,900,000 Shares to be issued pursuant to the HOA.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director Options means the Options to be issued to Anthony Brown, John Strong and Sol Majteles in accordance with their letters of appointment as Directors.

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 14 days after the date of lodgement of the Original Prospectus, being the period ended 14 March 2017.

HOA means a binding Heads of Agreement (**HOA**) between the Company and the Majority Stockholders under which the Company will acquire 100% of the issued capital of Scout (**Acquisition**) pursuant to the terms summarised in Section 11.2.

IFTTT means "If This Then That". It is a free web-based service that allows users to create chains of simple conditional statements, called "applets", which are triggered based on changes to other web services such as Gmail, Facebook, Instagram, and Pinterest.

IOT means the internet of things.

Key Management means Daniel Roberts and David Shapiro.

Lead Manager means Armada Capital and Equities Pty Ltd.

LIFX (pronounced Life-X) is a line of energy-efficient, multi-colour, Wi-Fi enabled LED light bulbs that can be controlled via a Wi-Fi equipped device such as a smartphone or smartwatch.

Majority Stockholders has the meaning in Section 7.1.

Mandate means the mandate between the Company and the Lead Manager summarised in Section 11.4.

Maximum Subscription means the maximum subscription of $6,000,000 to be raised under the Public Offer.

Merger has the meaning in Section 11.3.

Minimum Subscription means the minimum subscription of $5,000,000 to be raised under the Public Offer.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Original Prospectus has the meaning given to that term in Section 2 of this Prospectus.

Performance Share means a performance share in the Company with the terms and conditions set out in Section 12.3.

Prospectus means this prospectus.

Public Offer means the offer of Shares pursuant to this Prospectus as set out in Section 6 of this Prospectus.

Section means a section of this Prospectus.

Settlement means the date of completion of the Acquisition, including the Merger, in accordance with the HOA.

Scout means Scout Security, Inc., a company organised and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware, United States and originally incorporated on 1 May 2013.

Scout Common Stock has the meaning given in Section 11.2(a).

Scout Stockholders means the holder of Scout Common Stock.

Securities means Shares, Options and Performance Shares as the case may be.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, the requirements as to the Board's composition, the roles and responsibilities of the Chairman, Company Secretary and management, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is contained in its Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company's Corporate Governance Plan requires the Board to undertake appropriate checks as to the character, experience, education, criminal record and bankruptcy history of the candidate before appointing a person, or putting forward to security holders a candidate for election, as a Director. (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in any notice of meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. The respective engagement terms of each director and senior executive is summarised within this Prospectus.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board.

Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	PARTIALLY	(a) The Company has adopted a tiered approach to the implementation of its Diversity Policy and framework which is relative to the size of the Company and its workforce. Where the Company employs 20 or more employees, the Board will adopt practices in line with the Recommendations. While the Company's workforce remains below this threshold, the Board will continue to drive the Company's diversity strategies on an informal basis and will apply the initiatives contained in the Diversity Policy to the extent that the Board considers relevant and necessary. (b) A copy of the Company's Diversity Policy is contained in its Corporate Governance Plan which is available on the Company's website. (c) Should the Company's workforce grow to 20 or more employees, the Board undertakes to: (i) Formally define its measurable objectives. The measurable objectives set by the Board will be included in the annual key performance indicators for senior executives. In addition the Board will review progress against the objectives in its annual performance assessment. (ii) Include in the Company's Annual Report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board level. While the Company's workforce remains below the 20 employee threshold, the Board undertakes to include in its annual reports, the proportion of male and female employees in the whole organisation, at senior management level and at Board level.

Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) The Board (in the absence of a Nominations Committee) is responsible for evaluating the performance of the Board and individual Directors on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) The Board (in the absence of a Remuneration Committee) is responsible for overseeing performance evaluations of senior executives on an annual basis. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period and details of the performance evaluations conducted to be contained in the Company's annual reports.
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 5(d) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The duties of the Nomination Committee are outlined in the Nomination Committee Charter contained in the Company's Corporate Governance Plan which is available on the Company's website. The Board devotes time on an annual basis to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with Recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.

<table>
<tr><td>Recommendation 2.2
A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td><td>YES</td><td>The Board will develop a skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the Board is to be reviewed regularly against the Company's skill matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the full Board (in the absence of a Nomination Committee). The Company will disclose the Board skill matrix in, or in conjunction with, its Annual Reports.</td></tr>
<tr><td>Recommendation 2.3
A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director</td><td>YES</td><td>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent.
The current independent Directors of the Company are:
- Daniel Roberts (CEO);
- David Shapiro (Technical Director);
- John Strong (Non-Executive Director);
- Anthony Brown (Non-Executive Director); and
- Sol Majteles (Non-Executive Director).
The names of the Directors considered by the Board to be independent will be disclosed on the Company's website and in its Annual Reports.
(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions, associations and relationships are provided in this Prospectus.
(c) The Board Charter requires the disclosure of the length of service of each Director. The Directors in office at the date of this Prospectus have served continuously since their respective dates of appointment which are as follows:
- Daniel Roberts – to be appointed at Settlement;
- David Shapiro to be appointed at Settlement;
- John Strong to be appointed at Settlement;
- Anthony Brown to be appointed at Settlement; and
- Sol Majteles to be appointed at Settlement.</td></tr>
<tr><td>Recommendation 2.4
A majority of the board of a listed entity should be independent directors.</td><td>YES</td><td>The Board Charter requires that where practical the majority of the Board will be independent.
As at the date of this Prospectus, the following three of the Company's five future Directors are considered to be independent:</td></tr>
</table>

		- Daniel Roberts (CEO); - David Shapiro (Technical Director); - John Strong (Non-Executive Director); - Anthony Brown (Non-Executive Director); and - Sol Majteles (Non-Executive Director). Details of each Director's independence are provided in this Prospectus.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman, John Strong is an independent non-executive director and is not the same person as the Managing Director of the Company.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	As the Company has elected not to establish a Nomination Committee at this stage, the full Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company's program for the induction of new directors is tailored for each new Director (depending on their personal requirements, background skills, qualifications and experience) and includes the provisions of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team. All Directors will be encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors may have access to various resources and professional development training to address any skills gaps.
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	YES	(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is contained in its Corporate Governance Plan which is available on the Company's website.

Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company does not currently have an Audit and Risk Committee. Pursuant to clause 5(i) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time annually to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO/MD and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	(a) The Company has adopted a Continuous Disclosure Policy which is set out within the Company's Corporate Governance Plan and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Corporate Governance Plan is available on the Company's website.
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which is available on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to Shareholders. The Strategy is contained in the Company's Corporate Governance Plan which is available on the Company's website.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	As per the Company's Shareholder Communications Strategy, Shareholders will be encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Shareholders have the option of electing to receive all shareholder communications by e-mail and can update their communication preferences with the Company's registrar at any time.

Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company currently does not have an Audit and Risk Committee. Pursuant to clause 5(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in the Audit and Risk Committee Charter contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	(a) The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company has adopted a Risk Management Policy which is contained within the Company's Corporate Governance Plan and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) For each reporting period following the Company's admission to the Official List of the ASX, the Company will disclose in its annual report whether a review of the Company's risk management framework was undertaken in line with its *Risk Management Policy*.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an internal audit function. The Audit and Risk Committee Charter of the Company's Corporate Governance Plan provides for a future internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.

Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	The Company's Risk Management Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. To the extent the Company is exposed to economic, environmental and social sustainability risks, the Company has disclosed such risks in this Prospectus and the Company intends to disclose such information in future annual reports.
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 5(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in the Remuneration Committee Charter which is contained within the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board will devote time on an annual basis to fulfil the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company's general policies and practices regarding the remuneration of non-executive and executive directors and other senior employees are set out in the Remuneration Policy which is contained in the Company's Corporate Governance Plan.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should:	YES	(a) The Company's Remuneration Committee Charter states that, in the absence of a Remuneration Committee, the Board is required to review, manage and disclose the policy

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.		(if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Remuneration Committee Charter also states that the Remuneration Committee must review and approve any equity based plans. (b) A copy of the Remuneration Committee Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website.