MUELLER & CO., LLP

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ASSURANCE

SCOUT SECURITY, INC.

REVIEWED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS FROM JULY 1 TO DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REVIEW REPORT

Board of Directors
Scout Security, Inc.
Chicago, IL

We have reviewed the accompanying interim financial statements of Scout Security, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of profit and loss, changes in equity and cash flows for the six months then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation these interim financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to conduct the interim review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants and in accordance with International Standard on Review Engagements 2400 (Revised) issued by the International Auditing and Assurance Standards Board. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the interim financial statements for them to be in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with International Financial Reporting Standards as Issued by the International Accounting Standards Board.

Mueller & Co., LLP

Elgin, Illinois
June 8, 2017

SCOUT SECURITY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 116,851	152,104
Accounts receivable	922	3,471
Inventories	105,943	81,949
Prepaid expenses	7,632	-
Total current assets	231,348	237,524
Property and equipment:		
Machinery and equipment	342,941	286,393
Less accumulated depreciation	(212,664)	(145,045)
	130,277	141,348
Other assets -		
Goodwill	200,000	200,000
	$ 561,625	578,872

LIABILITIES AND EQUITY

	2016	2015
Current liabilities:		
Line of credit	$ -	65,700
Accounts payable	208,366	132,999
Supplier payable	610,279	930,279
Accrued expenses	343,812	-
Accrued wages	20,270	20,394
Accrued payroll taxes	32,497	22,486
Customer deposits	184,755	-
Reserve for sales returns	46,804	20,000
Convertible promissory notes	-	1,656,500
Total current liabilities	1,446,783	2,848,358
Equity:		
Common stock	114	114
Preferred stock	3,861,794	850,000
Retained deficit	(4,747,066)	(3,119,600)
	(885,158)	(2,269,486)
	$ 561,625	578,872

See Independent Auditors' Review Report.
The accompanying notes are an integral part of the financial statements.

SCOUT SECURITY, INC.

STATEMENTS OF PROFIT AND LOSS

FOR THE SIX MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Revenue	$ 602,263	1,493,544
Cost of sales	522,956	1,474,746
Gross profit	79,307	18,798
Operating expenses	879,761	626,983
Loss from operations	(800,454)	(608,185)
Other expense:		
Interest expense	(5,694)	(60,746)
Other expense	(14,420)	(4,872)
	(20,114)	(65,618)
Loss	$ (820,568)	(673,803)

See Independent Auditors' Review Report.
The accompanying notes are an integral part of the financial statements.

SCOUT SECURITY, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

		COMMON STOCK	PREFERRED STOCK	RETAINED DEFICIT	TOTAL
Balance, July 1, 2015	$	114	850,000	(2,445,797)	(1,595,683)
Loss		-	-	(673,803)	(673,803)
Balance, December 31, 2015	$	114	850,000	(3,119,600)	(2,269,486)
Balance, July 1, 2016	$	114	3,599,420	(3,926,498)	(326,964)
Loss		-	-	(820,568)	(820,568)
Issuance of preferred stock		-	262,374	-	262,374
Balance, December 31, 2016	$	114	3,861,794	(4,747,066)	(885,158)

See Independent Auditors' Review Report.
The accompanying notes are an integral part of the financial statements.

SCOUT SECURITY, INC.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

		2016	2015
Cash provided by (applied to) operating activities:			
Loss	$	(820,568)	(673,803)
Adjustments to reconcile loss to net cash provaided by (applied to) operating activities:			
Depreciation and amortization		46,838	20,781
Interest on convertible promissory notes		-	47,000
Changes in:			
Accounts receivable		1,084	42,911
Inventories		(82,179)	161,403
Prepaid expenses		224,811	-
Accounts payable		46,572	(91,691)
Supplier payable		(20,000)	196,182
Accrued expenses		174,624	(24,352)
Accrued wages		20,270	7,542
Accrued payroll taxes		23,357	16,581
Customer deposits		53,331	(27,858)
Reserve for sales returns		-	3,460
		(331,860)	(321,844)
Cash applied to investing activities -			
Purchases of property and equipment		(56,548)	-
Cash provided by (applied to) financing activities:			
Net proceeds (payments) on line of credit		(24,966)	45,127
Issuance of preferred stock		262,374	-
Issuance of convertible promissory notes		-	196,000
		237,408	241,127
Net decrease in cash and cash equivalents		(151,000)	(80,717)
Cash and cash equivalents, beginning of period		267,851	232,821
Cash and cash equivalents, end of period	$	116,851	152,104
Other cash flow information -			
Interest paid	$	5,694	13,746

See Independent Auditors' Review Report.
The accompanying notes are an integral part of the financial statements.

NOTE 1 - NATURE OF OPERATIONS

Scout Security, Inc. (the Company), a Delaware Corporation based in Illinois, develops and distributes home security systems. The Company's mission is to create a home security system that is smart, simple and affordable. The principal markets for the Company's products are individuals and businesses in the United States of America.

NOTE 2 - BASIS OF PREPARATION

These financial statements have 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 principal accounting policies adopted in the preparation of the financial statements are set out in Note 3. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in Note 4.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

New Standards, Interpretations and Amendments

No new or revised Standards and Interpretations have been adopted in the current period.

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.

Current and Non-Current Classification

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Current and Non-Current Classification, Continued

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.

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.

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.

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Prepaid expenses

Prepaid expenses primarily relate to prepaid inventory orders.

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, if any, are included in profit or loss.

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.

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 period 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.

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.

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 present.

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 carryforwards.

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $15,542 and $53,868 for the six month periods ended December 31, 2016 and 2015, respectively.

Research and Development Costs

Research and development costs are expensed in the period incurred. Such costs amounted to $12,236 and $24,102 for the six month periods ended December 31, 2016 and 2015, respectively.

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.

Subsequent Events

Subsequent events have been evaluated through June 8, 2017, the date that the financial statements were available for issue.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on June 8, 2017.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The Company considers the following to be significant estimates and assumptions:

Revenue recognition - Provision of rights to return goods if customers are dissatisfied.

Impairment of goodwill - Estimate of future cash flows and determination of the discount rate.

Income taxes - Provisions for deferred tax assets and income taxes in various jurisdictions.

NOTE 5 - REVENUE

The Company's revenue for the six month periods ended December 31 consisted of the following:

		2016	2015
Sale of goods	$	340,826	1,400,715
Services rendered		261,437	92,829
	$	602,263	1,493,544

Major customers typically order from the Company in large quantities, own the inventory outright and sell systems over an extended period of time, which accounts for the significant difference in revenue period over period. See Note 10. For the six month periods ended December 31, 2016 and 2015, the Company had deferred revenue of $184,755 and $0, respectively, included as customer deposits on the statements of financial position.

NOTE 6 - LINE OF CREDIT

The Company had a line of credit with an online small business lender. The terms include 4% monthly interest with borrowing limits based on bank account balances and sales volumes. The outstanding balance was $0 and $65,700 at December 31, 2016 and 2015, respectively. The line was closed subsequent to December 31, 2016.

NOTE 7 - CONVERTIBLE PROMISSORY NOTES

Convertible promissory notes were issued to provide the Company with additional resources to conduct its business. The Company issued and closed two rounds of convertible notes with general interest investors. It also completed a third convertible note directly with a vendor. In addition to the convertible notes that were cash for equity arrangements, the Company also completed two service-for-equity notes with two organizations that were influential getting the Company's product manufactured and successfully branded.

Series A Convertible Promissory Notes
Previously, the Company issued Series A convertible promissory notes in the amount of $650,000. The notes bore interest at a rate of 8% and had a maturity date of one year with a conversion to shares of preferred stock upon the Company's achievement of qualified financing as defined in the convertible notes agreements.

Series B Convertible Promissory Notes
During the period ended December 31, 2016, the Company issued Series B convertible promissory notes in the amount of $196,000. Previously, the Company issued $245,000 of Series B convertible promissory notes. These notes were issued with the same terms as the Series A convertible notes described above.

Convertible Promissory Note #1
The note with an organization influential in getting the Company's product manufactured was issued in February 2015 in the amount of $70,000 for services received. The note bore interest at a rate of 2% and had a maturity date of two years with a conversion to shares of preferred stock upon the Company's achievement of qualified financing as defined in the agreement. No cash was directly received or paid out in this transaction.

Convertible Promissory Note #2
In May 2015, the Company entered into a simple agreement for future equity with an organization influential in getting the Company's product successfully branded in the amount of $150,000. In exchange for services rendered and to be rendered, the Company issued shares of preferred stock upon the Company's achievement of qualified financing. No cash was directly received or paid out in this transaction.

Convertible Promissory Note #3
The note with a vendor was issued in June 2015 in the amount of $250,000. The note bore interest at a rate of 5% and had a maturity date of one year with a conversion to shares of preferred stock upon the Company's achievement of qualified financing as defined in the agreement.

All outstanding promissory notes were extended to a maturity date of May 15, 2016.

NOTE 7 - CONVERTIBLE PROMISSORY NOTES, CONTINUED

On May 13, 2016, the Company reached the qualified financing condition of the convertible notes agreements. Consequently all outstanding convertible promissory notes were simultaneously converted to preferred stock. See Note 8.

The Company accrued approximately $0 and $47,000 of interest for the six month periods ended December 31, 2016 and 2015, respectively. No cash was directly paid out for these accruals.

NOTE 8 - EQUITY

Common Stock
In July 2013, the Board of Directors authorized the amendment of the Company's certificate of incorporation to increase the number of authorized shares of common shares to 13 million from the prior level of 5 million. There was no change in the stated par value of the shares of $0.00002 as a result of this transaction. During the year ended December 31, 2015, the Company issued 718,544 shares to new investors and reserved 269,456 for an unissued option plan.

On February 11, 2016, the Board of Directors authorized the amendment and restatement of the Company's Amended and Restated Certificate of Incorporation to set the number of shares of the Company's Common Stock authorized for issuance to 17,657,254 shares. There was no change in the stated par value of the shares as a result of this transaction.

Warrants
In February 2014, the Company issued a warrant to purchase 76,746 shares of the Company's Common Stock at an exercise price of $0.04 per share in consideration of the advisory services provided and to be provided to the Company by a vendor. As of December 31, 2016 these warrants have not been exercised.

Series Seed Preferred Stock
In July 2013, the Board of Directors authorized the amendment of the Company's certificate of incorporation to also authorize the issuance of up to 4,361,208 shares of Series Seed Preferred Stock. The Company was authorized to sell and issue up to the total number of authorized Series Seed Preferred Stock at a purchase price of $.2004 per share. The Company issued 4,241,512 shares of Series Seed Preferred Stock for $850,000 during the first half of the fiscal year ended June 30, 2015.

Series A Preferred Stock
As part of the Company's Amended and Restated Certificate of Incorporation on February 11, 2016, the Company authorized 7,427,742 shares of Series A Preferred Stock.

In May 2016, the Company issued 1,875,409 shares of Series A preferred stock to new investors for approximately $1,093,184.

NOTE 8 - EQUITY, CONTINUED

Series A Preferred Stock, continued
During the six months ended December 31, 2016, the Company issued 450,118 shares of Series A preferred stock to new investors for approximately $262,374.

Series A Preferred Stock from Convertible Notes
Upon the issuance of the Series A Preferred Stock in May 2016 described above, the outstanding convertible notes were simultaneously converted to Series A Preferred Stock on May 13, 2016. In accordance with terms of agreements, the notes were converted to 3,626,652 shares with a value of $1,656,236. No cash was directly received or paid out in this transaction.

NOTE 9 - OPERATING LEASE

The Company leased office space under operating leases which require monthly rental payments of $840 and $850 and expired in October 2016 and February 2017, respectively. Additionally, the leases required the Company to be responsible for the real estate taxes, all utilities, repairs and maintenance of the facilities and adequate insurance on the facilities.

Rent expense included in the statements of profit and loss under these lease agreements totaled $13,000 and $5,263 for the six month periods ended December 31, 2016 and 2015, respectively.

In November 2016, the Company entered into a two year lease for new office space in Chicago, Illinois with monthly payments of approximately $3,400. The lease has annual escalating rent payments and an option to extend the lease for an additional two years.

The aggregate future minimum lease commitment on these leases is as follows:

Remainder of FY 2017	$	27,695
FY 2018		48,312
FY 2019		13,972
	$	89,979

NOTE 10 - MAJOR CUSTOMERS

The Company derived approximately 60% of its total revenues from three customers for the six month period ended December 31, 2015. Accounts receivable from these customers were 100% of total accounts receivable as of December 31, 2015. The Company did not have any major customers for the six month period ended December 31, 2016. Three major customers purchasing in one quarter is a revenue timing anomaly rather than something the Company would expect in the ordinary course of business.

NOTE 11 - PROSPECTUS

The Company is in the process of becoming listed on the Australian Stock Exchange (ASX). The prospectus was filed in February 2017, which created the opportunity for investors to submit bids and get allocations in the Initial Public Offering (IPO). The Company then filed our listing fee to officially seek listing on the ASX. The company is currently collecting money against those bids (although no money will be collected during the time between filing of the most recent supplementary prospectus, extending the offer and the filing of the supplementary prospectus which includes the Company's reviewed half-yearly reports, per ASX rules) and managing the timeline post-listing fee. We anticipate finalizing the collection of IPO monies and list on the ASX in July 2017.

In order to facilitate the process, the Company merged with a special purpose vehicle (AUS Company) that was set up specifically to cover the costs of an IPO. This entity will have no business purpose moving forward. The Company's shareholders and directors will control the resulting merged entity and Scout Security, Inc. will be a wholly owned subsidiary of Scout Security Limited (AUS).