



APPENDIX 4C QUERY

Mr Dale Allen
Senior Advisor
ASX Listings Compliance
Level 40, Central Park
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August 21, 2018

APPENDIX 4C QUERY

In reference to your letter of 16 August 2018 regarding the Appendix 4C quarterly report for the period ended 30 June 2018 lodged with the ASX on 31 July 2018, the response to your five queries in number order is as follows:

1. Scout Ltd has received / expects to receive the following cash receipts in the current quarter:
 - AUD\$408,000 from Stanley Black and Decker for a prepaid block of licenses. (Refer ASX announcement 1/8/2018)
 - AUD\$162,000 from a Zego purchase order for 1000 smart home security hubs (Refer ASX announcement 6/8/18)
 - A further purchase order from Zego of the same magnitude is expected to be received by Scout in the current quarter.
 - Cash receipts from normal operations are expected to match or exceed last quarter. Cash receipts for the previous quarter were AUD\$602,000 (up 49% quarter to quarter).

The company expects to be close to cashflow positive in both the current quarter and the December quarter. Material purchase orders are expected to continue from Zego and commence from Stanley Black and Decker. The Amazon and Direct to Consumer channels are expected to continue to grow organically through to the end of the year. In addition, the Company has received director contributions of AU\$75,000, as approved by shareholders, in the current quarter. Further, the Company will be drawing on its built-up finished goods inventory of AUD\$890,000 to meet customer demand.

2. The Company has expressed that it has progressed discussions with lenders regarding a credit facility to support inventory ordering. Refer to ASX announcement 27/4/18. These discussions are ongoing, with the Company confident, that it will be successful in securing a facility where it



will benefit from more capital-efficient inventory financing in terms of smoothing and strengthening positive cash flow.

3. Yes, the Company expects to be able to continue its operations and meet its business objectives on the basis of positive cashflows from operating activities detailed in item 1 above.
4. Yes, the Company confirms it is in compliance with ASX Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with Listing Rule 3.1 that has not already been released to the market.
5. It is confirmed that the responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please contact me if you would like to discuss any of the above matters.

Yours sincerely,

STUART USHER
Company Secretary



16 August 2018

Mr Stuart Usher
Company Secretary
Scout Security Limited

By email:

Dear Mr Usher

Scout Security Limited (“SCT”): Appendix 4C Query

I refer to SCT’s Appendix 4C quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform and released on 31 July 2018 (the “Appendix 4C”).

ASX notes that SCT has reported:

- negative net operating cash flows for the quarter of \$677,000;
- cash at the end of the quarter of \$271,000; and
- estimated cash outflows for the next quarter of \$1,140,000.

It is possible to conclude, based on the information in the Appendix 4C, that if SCT were to continue to expend cash at the rate indicated by the Appendix 4C, SCT may not have sufficient cash to continue funding its operations. In view of that, ASX asks SCT to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does SCT expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SCT taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does SCT expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that SCT is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that SCT’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SCT with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that SCT considers may be relevant to ASX forming an opinion on whether SCT is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 7am AWST on Tuesday 21 August 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SCT’s securities under Listing Rule 17.3.

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Australia Square NSW 1215

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You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SCT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltperth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to SCT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SCT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SCT's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

[Sent electronically without signature]

Dale Allen, Listings Compliance (Perth)