



# **SCOUT SECURITY LIMITED**

**ACN 615 321 189**

## **Notice of Annual General Meeting**

**Annual General Meeting of Shareholders to be held at Suite 1,  
GF, 437 Roberts Road, Subiaco WA 6008, Perth, Western  
Australia on  
27 November 2018, commencing at 9:30am (WST)**

### **Important**

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 12:00pm (WST) on 25 November 2018.

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that an annual general meeting of the shareholders of Scout Security Limited ACN 615 321 189 (**Company**) will be held at Suite 1, GF, 437 Roberts Road, Subiaco, Perth, Western Australia on 27 November 2018, commencing at 9:30am (WST). The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes in more detail the Resolutions to be considered.

### Business

#### Annual Report

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To receive and consider the Annual Report of the Company for the financial year ended 30 June 2018, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report.

#### Resolution 1: Approval of Remuneration Report

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To consider and, if thought fit, to pass the following Resolution as an **advisory only resolution**:

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2017 be adopted."*

**Note:** The votes on this Resolution are advisory only and do not bind the Directors or the Company.

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel

## **Resolution 2: Re-election of Director – Mr John Strong**

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of clause 14.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr John Strong, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

## **Resolution 3: Ratification of prior issue of lead manager options to Zenix Nominees Pty Ltd**

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4, and for all other purposes, the 15% placement capacity of the Company be refreshed by the previous issue of 1,500,000 Options to Zenix Nominees Pty Ltd (and/or its nominees) with an exercise price of \$0.40 per Option and an expiry date of 20 December 2020 on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides..

## **Resolution 4: Ratification of prior issue of lead manager options to Sandton Capital Pty Ltd**

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4, and for all other purposes, the 15% placement capacity of the Company be refreshed by the previous issue of 850,000 Options to Sandton Capital Pty Ltd (and/or its nominees) with an exercise price of \$0.40 per Option and an expiry date of 20 December 2020 on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **Resolution 5: Approval of 10% Placement Facility**

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To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 6: Removal of Auditor

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, subject to and conditional upon Resolution 6 being passed by Shareholders, BDO Audit (WA) Pty Ltd, the current auditor of the Company, be removed as the auditor of the Company effective from the date of the Meeting”.*

## Resolution 7: Appointment of Auditor

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to and conditional upon Resolution 5 being passed by Shareholders, Nexia Perth Audit Services Pty Ltd being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed as the auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree their remuneration”*

## Resolution 8: Selective Share Buy-Back

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To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of Section 257D of the Corporations Act and for all other purposes, approval is given for the Company to selectively buy-back and cancel 36,000,000 Performance Shares currently held by Daniel Roberts and David Shapiro on the terms and conditions set out in the Explanatory Statement.”*

### Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of Daniel Roberts and David Shapiro (or their nominees) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

## Resolution 9: Creation of a New Class of Securities – Performance Shares

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To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to the passing of Resolution 8, for the purpose of Section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement.”*

## Resolution 10: Issue of Performance Shares to Daniel Roberts

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to the passing of Resolutions 8 & 9, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 18,000,000 Performance Shares to Daniel Roberts (or his nominee) on the terms and conditions set out in the Explanatory Statement”*

### Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of Daniel Roberts (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel

## Resolution 11: Issue of Performance Shares to David Shapiro

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolutions 8 & 9, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 18,000,000 Performance Shares to David Shapiro (or his nominee) on the terms and conditions set out in the Explanatory Statement"*

### Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of David Shapiro (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

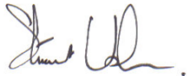
- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel

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**By order of the Board**



**Stuart Usher**  
Company Secretary  
Scout Security Limited  
26 October 2018

## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the shareholders of Scout Security Limited ACN 615 321 189 (**Company**) in connection with the Resolutions to be considered at the Annual General Meeting to be held at Suite 1, GF, 437 Roberts Road, Subiaco, Perth, Western Australia on 27 November 2018, commencing at 9:30am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice.

This Notice and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

### Interpretation

Capitalised terms used in this Notice and Explanatory Statement have the meaning given to them in the Definitions section.

References to “\$” and “A\$” in this Notice and Explanatory Statement are references to Australian currency unless otherwise stated.

References to time in this Notice and Explanatory Statement relate to the time in Perth, Western Australia.

### Voting exclusion statements

Certain voting restrictions apply to the Resolutions as detailed beneath the applicable Resolutions in the Notice.

### Proxies

Please note that:

- each Shareholder has a right to appoint a proxy;
- a proxy need not be a member of the Company;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder’s proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder’s proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

Members of the Key Management Personnel will not be able to vote as proxy on Resolution 1 unless the Shareholder directs them how to vote or, in the case of the Chair, unless the Shareholder expressly authorises him to do so. If a Shareholder intends to appoint a member of the Key Management Personnel (other than the Chair) as their proxy, the Shareholder should ensure that they direct the member of Key Management Personnel how to vote on Resolution 1.

If a Shareholder intends to appoint the Chair as their proxy for Resolution 1, Shareholders can direct the Chair how to vote by marking one of the boxes for Resolution 1 (for example, if the Shareholder wishes to vote ‘for’, ‘against’ or to ‘abstain’ from voting). If the Shareholder does not direct the Chair how to vote, then by submitting the Proxy Form, the

Shareholder will be expressly authorising the Chair to exercise the proxy in respect of Resolution 1 even though it is connected to the remuneration of members of the Key Management Personnel.

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by:

- (a) post to Scout Security Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- (b) facsimile to Scout Security Limited, C/- Link Market Services Limited on +61 2 9287 0309; or
- (c) by hand to Scout Security Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

**Voting intentions of the Chair**

The Chair intends to vote all available proxies in favour of all Resolutions.

**Voting entitlements**

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company on 25 November 2018 at 12:00pm (WST). Accordingly, transactions registered after this time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

## **1. Regulatory Information**

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### **1.1 Annual Report**

The Annual Report of the Company for the financial year ended 30 June 2018, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report, will be laid before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report. However, the Chair will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Annual Report and the management of the Company.

A representative of the Company's auditor, BDO Audit (WA) Pty Ltd, is anticipated to be in attendance to respond to any questions raised of the auditor or on the Auditor's Report in accordance with section 250T of the Corporations Act.

## **2. Resolution 1: Approval of Remuneration Report**

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Section 249L(2) of the Corporations Act requires a company to inform Shareholders that a resolution on the Remuneration Report will be put at the Annual General Meeting. Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report adopted be put to a vote. Resolution 1 seeks this approval.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" resolution which does not bind the Directors or the Company. However, the Directors take the discussion at the Meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Following consideration of the Remuneration Report for the financial year ended 30 2017, the Chair, in accordance with section 250SA of the Corporations Act, will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

If at least 25% of the votes cast on a resolution for the adoption of a Remuneration Report are voted against at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the Company's Directors (other than the Executive Directors) would go up for re-election.

The Directors encourage all Shareholders to vote on Resolution 1.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

## **3. Resolution 2: Re-election of Director – Mr. John Strong**

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### **3.1 Background**

Clause 14.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 14.2 of the Constitution is eligible for re-election; and



- (d) in determining the number of Directors to retire, no account is to be taken of:
- (i) a Director who only holds office until the next annual general meeting pursuant to clause 14.4 of the Constitution; and/ or
  - (ii) a Managing Director,

each of whom are exempt from retirement by rotation.

The Company currently has five Directors (inclusive of the Managing Director) and accordingly one must retire.

Mr John Strong, retires by rotation and seeks re-election.

The Company considers Mr. Strong to be an independent director.

The Chair intends to exercise all available proxies in favour of Resolution 2.

The Board (excluding Mr John Strong) supports the re-election of Mr John Strong and recommends that Shareholders vote in favour of Resolution 2.

### **3.2 Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

## **4. Resolution 3 and 4: Ratification of prior issue of lead manager options to Zenix Nominees Pty Ltd and Sandton Capital Pty Ltd**

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### **4.1 Background**

On 10 December 2017, the Company entered into a mandate with Armada Capital & Equities Pty Ltd. (Armada) for Armada to act as Lead Manager to the Placement Offer and Corporate Advisor (Lead Manager Mandate).

Pursuant to the Lead Manager Mandate, as part of the consideration for Armada acting as Lead Manager to the Placement Offer, the Company agreed to issue up to 5,800,000 Options to Armada (Lead Manager Options).

At a general meeting of shareholders held on 12 July 2018, shareholders approved the ratification of lead manager options to Armada of 3,450,000. The remainder of the options, 1,500,000 have been issued to Zenix Nominees Pty Ltd and 850,000 have been issued to Sandton Capital Pty Ltd.

A summary of Listing Rule 7.1 is set out below.

Resolution 3 and 4 seeks Shareholder approval for the ratification of 1,500,000 Lead Manager Options issued to Zenix Nominees Pty Ltd (and/or its nominees) and 850,000 Lead Manager Options issued to Sandton Capital Pty Ltd (and/or its nominees) as part consideration for acting as Lead Manager to the Placement Offer.

The effect of passing Resolution 3 and 4 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

### **4.2 Listing Rule 7.4**

In accordance with Listing Rule 7.1, the Company must not, without obtaining Shareholder approval, subject to specified exceptions, issue or agree to issue more securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 1 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 3 and 4 are ordinary resolutions.

#### **4.3 Technical information required by Listing Rule 7.4**

For the purposes of Listing Rule 7.5, the following information is provided to Shareholders in relation to Resolutions 3 & 4:

(a) Name of the persons

Armada and/or its nominees, including other brokers of the Placement Offer who fall within one of the exemptions contained in section 708 of the Corporations Act and are not related parties of the Company have been issued with the Lead Manager Options.

(b) Maximum number of securities to be issued

5,800,000 Lead Manager Options.

(c) The Lead Manager Options were issued on 20 December 2017.

(d) Issue price of the securities

The Lead Manager Options have been issued for nil cash consideration as part consideration for Armada acting as Lead Manager to the Placement Offer.

(e) Terms of the securities

The Lead Manager Options will each be exercisable at \$0.40 and have an expiry date of 20<sup>th</sup> December 2020. The full terms of the Lead Manager Options are set out in Annexure A.

(f) Intended use of the funds raised

No funds will be raised from the issue of the 5,800,000 Lead Manager Options, which are being issued as part consideration for Armada acting as Lead Manager to the Placement Offer.

#### **4.3 Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 and 4.

### **5. Resolution 5: Approval of 10% Placement Facility**

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Resolution 5 is a special resolution which seeks Shareholders' approval for the issue of Equity Securities totaling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A.

As Resolution 5 is a special resolution, at least 75% of the votes cast on Resolution 5 must be cast in favour of the Resolution in order for it to be passed.

#### **5.1 Listing Rule 7.1A**

Listing Rule 7.1A enables eligible entities to issue Equity Securities totaling up to 10% of its issued share capital through placements over a 12 month period after the entity's annual general meeting (**10% Placement Facility**). An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

As at the date of this Notice, the Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$24,925,948 (based on the number of Shares on issue and the closing price of Shares on the ASX on 16 October 2018).

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to formula below).

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting under Listing Rule 7.1A may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A** is the number of fully paid shares on issue 12 months before the date of issue or agreement (as the first quotation of the Company's securities occurred less than 12 months ago, this amount will be the number of fully paid ordinary share on issue on the date of the quotation of the Company):
- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - (b) plus the number of partly paid shares that became fully paid in the 12 months;
  - (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
  - (d) less the number of fully paid shares cancelled in the 12 months.
- Note:** 'A' has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only quoted Equity Securities that the Company has on issue are its Shares (ASX: SCT).

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Trading Days of the date in the paragraph above, the date on which the Equity Securities are issued.

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

## **5.2 Specific information required by Listing Rule 7.3A**

For the purposes of Listing Rule 7.3A, the following information is provided to Shareholders in relation to Resolution 7:

### **(a) Minimum price at which the securities may be issued**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

### **(b) Risk of dilution**

If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and
- (ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		50% decrease in Market Price \$0.115	Current Market Price \$0.23	100% increase in Market Price \$0.46
<b>Current Variable 'A'</b> 108,373,685	<b>10% Voting Dilution</b>	10,837,368 Shares	10,837,368 Shares	10,837,368 Shares
	<b>Funds raised</b>	\$1,246,297	\$2,492,595	\$4,985,190
<b>50% increase in current Variable 'A'</b> 162,560,527	<b>10% Voting Dilution</b>	15,273,675 Shares	15,273,675 Shares	15,273,675 Shares
	<b>Funds raised</b>	\$1,869,446	\$3,738,892	\$7,477,784
<b>100% increase in current Variable 'A'</b> 216,747,370	<b>10% Voting Dilution</b>	20,365,500 Shares	20,365,500 Shares	20,365,500 Shares
	<b>Funds raised</b>	\$2,492,595	\$4,985,190	\$9,970,379

**Notes:**

1. There are currently 108,373,685 Shares on issue as at the date of this Notice.
2. Assumes the Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
3. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
4. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
5. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
6. The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The market price used is \$0.23, being the closing price of Shares on 16 October 2018.

**(c) Date by which the securities may be issued**

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (disposal of the main undertaking of the Company).

**(d) Purposes for which the securities may be issued**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under rule 7.1A.

(e) **Allocation policy for issues of securities**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of recipients of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- (i) the purpose of the issue;
- (ii) the methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing security holders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the financial situation and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Recipients of Equity Securities under the 10% Placement Facility have not been determined at the date of this Notice but are likely to be investors which are sophisticated or professional investors (or both) for the purposes of section 708 of the Corporations Act and are not related parties.

(f) **Previous Approval**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 28 November 2017 (**Previous Approval**).

The Company has not issued any Equity Securities pursuant to the Previous Approval.

In the past 12 months preceding the date of this meeting the Company issued a total of 6,546,184 Shares, 5,800,000 Options which represents 12.12% of the total number of Equity Securities on issue at 16 October 2018. Details of the issues are included in the table below.

Date of Issue	Number of Securities issued	Names of persons who received securities	Price of issue and Current Price (Value) <sup>5</sup>	Discount to Market	Total \$ Received	Amount Spent and use of Funds	Intended Use of Remaining Funds
20 December 2017	5,333,334 Shares <sup>1</sup>	Sophisticated Investors under a share placement	Price at time of issue \$0.30. Price of issue \$0.30. Price at date of this Notice \$0.23	Nil –	\$1,600,000	\$1,600,000 – inventory and integration of new products	Not applicable
20 December 2017	962,850 Shares <sup>1</sup>	Issued to service providers in lieu of services provided	Price at time of issue \$0.30. Price of issue \$0.20. Price at date of this Notice \$0.23	33%	\$192,570	\$192,570 – shares issued in lieu of services provided	Not applicable

20 December 2017	5,800,000 Options <sup>2</sup>	Issued to lead manager and supporting brokers of the private placement	No issue price (non-cash consideration) Current value: \$nil	Nil –	Nil	Not applicable	Not applicable
13 August 2018	250,000 <sup>1</sup> Shares	Director – Anthony Brown on terms same as Share Placement dated 20 December 2017 and as approved at a shareholder meeting held on 12 July 2018	Price at time of issue \$0.25. Price of issue \$0.30. Price at date of this Notice \$0.23	Nil -	\$75,000	\$75,000 - inventory and integration of new products	Not applicable

1. Fully paid ordinary shares in the capital of the Company, ASX Code: TKF (terms are set out in the Constitution).
2. Unquoted Options, exercisable at \$0.40 each, on or before 20 December 2020. The full terms and conditions were disclosed in the Offer Prospectus dated on 11 January 2018.
3. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.0) as the context requires on the ASX on 16 October 2018. In respect of unquoted Equity Securities:

#### **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

#### **Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

## **6. Resolutions 6 and 7 – Removal and appointment of Auditor**

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a general meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolutions 6 and 7 are interdependent, with the result that if only one Resolution is passed by Shareholders, the other does not become effective.

#### **Removal of Auditor**

Resolution 6 is an ordinary resolution seeking the removal of BDO Audit (WA) Pty Ltd as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received from a member of the company.

In accordance with section 329(2) of the Corporations Act, the Company has sent a copy of the notice to BDO Audit (WA) Pty Ltd and the ASIC.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Act.

#### **Appointment of Auditor**

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 7 is a special resolution seeking the appointment of Nexia Perth Audit Services Pty Ltd as the new auditor of the Company. As required by the Corporations Act, a nomination for Nexia Perth Audit Services Pty Ltd to be appointed as the auditor of the Company has been received from a member. A copy of the nomination is set out in Schedule A.

Nexia Perth Audit Services Pty Ltd has given its written consent to act as the Company auditor in accordance with section 328A(1) of the Corporations Act subject to shareholder approval of this resolution.

If Resolutions 6 and 7 are passed, the appointment of Nexia Perth Audit Services Pty Ltd as the Company's auditor will take effect at the close of this meeting.

## **7. Resolution 8: Selective Share Buy-back**

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### **7.1 Background**

The Board of the Company is seeking to reset the Performance Share milestones for Directors' Daniel Roberts and David Shapiro. The initial Performance Share milestones were set prior to the Company's initial public offering in 2017 and the Board believes it is in the best interest of the Company to update these Performance Shares to reflect how the business has changed over the past 14 months and better align key employee incentives to growth of the Company.

Initially, the Board felt that revenue milestones would represent the most accurate picture of business progress and, as such, set performance milestones with revenue targets. However, as the business has progressed over the last year, numerous partners and investors are focusing on the number of connected systems with recurring monthly subscription fees as the most important indicator of progress. As such, the revised Performance Shares contemplate re-aligning the Performance Share milestones to recurring monthly revenue connections, as opposed to revenue, which includes hardware that may not yet have a recurring income stream attached to the sale.

The Board recommends that Shareholders resolve that the performance milestones be reset by the Company first buying back and cancelling the existing class of 36,000,000 Performance Shares (**Buy-Back Performance Shares**) (**Buy-Back**) and then creating a new class of 36,000,000 Performance Shares (the subject of Resolution 10) with updated milestones.

Resolution 8 seeks Shareholder approval to enable the Company to Buy-Back and cancel the Buy-Back Performance Shares.

### **7.2 Section 257D of the Corporations Act**

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's solvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.



In particular, Section 257A of the Corporations Act provides that a company may buy back its own shares if:

- (a) the buy-back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

The procedures required differ for each type of buy-back. The Buy-Back is classified as a selective buy-back.

Pursuant to Section 257D(1) of the Corporations Act, a selective share buy-back must be approved by either:

- (a) a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting by all ordinary shareholders.

Pursuant to Section 257D(2) of the Corporations Act, the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

Section 257H(3) of the Corporations Act provides that immediately after the registration of the transfer to a company of shares bought back, the shares are cancelled.

### **7.3 Details of the Buy-Back**

ASIC Regulatory Guide 110 sets out what ASIC expects a company to provide when disclosing such information to shareholders with a notice of meeting. This information is set out below:

- (a) The Company has 36,000,000 Performance Shares on issue at the date of this Notice;
- (b) The number and percentage of Performance Shares to be bought back are 36,000,000 Performance Shares representing 100% of the Performance Shares on issue at the date of this Notice;
- (c) The offer price for the Buy-Back Shares is \$1.00 in aggregate;
- (d) The financial effect on the Company of the Buy-Back of the Buy-Back Shares will be to reduce Shareholders' funds (net assets) by \$1.00;
- (e) The reason for the Buy-Back and cancellation of the existing Performance Shares is to enable the Company to create a new class of Performance Shares with updated milestones that better reflect the present day business of the Company;
- (f) The Directors believe the advantages and disadvantages of the Buy-Back are:
  - (i) (Advantages):
    - (A) the percentage ownership of Shareholders not subject to the Buy-Back will increase;
    - (B) the value of each remaining Share will increase by virtue of the Company's net asset value being divided by a lesser number of Shares; and
    - (C) the potential dividends payable in the future to remaining Shareholders will increase per Shareholder.
  - (ii) (Disadvantages): the Company's cash reserves will be nominally reduced by the Buy-Back, however the Directors believe this will not prejudice the Company's ability to pay its creditors or the interests of Shareholders generally.

(g) The Buy-Back is not expected to have an effect on the control of the Company.

(h) The Buy-Back Shares are held by Daniel Roberts and David Shapiro.

#### **7.4 Director's recommendation**

Based on the information available, including that contained in this Explanatory Statement, the Directors unanimously recommend that Shareholders vote in favour of Resolution 8 as they consider the proposed Buy-Back to be in the best interests of Shareholders as, after assessment of the advantages and disadvantages referred to in Section 7.3(f), the Directors are of the view that the advantages outweigh the disadvantages.

The Directors confirm that they intend to vote in favour of Resolution 8 in relation to all votes that they control.

#### **7.5 Other material information**

There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 9 being information that is known to the Directors which has not previously been disclosed to Shareholders, other than as set out in this Notice.

### **8. Resolution 9: Creation of a new class of securities – Performance Shares**

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As outlined in section 7.1 above, Resolution 9 seeks Shareholder approval for the Company to be authorised to issue a new class of Performance Shares.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Under clause 2.2 of the Company's Constitution and, subject to the Corporations Act and the Listing Rules, the Company may allot and issue shares in the Company on any terms and for any consideration as the Directors resolve.

Section 246B of the Corporations Act and clause 2.4 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the Members holding Shares in that class; or
- (b) the written consent of the Members who are entitled to at least 75% of the votes that may be cast in respect of Shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 1 of this Explanatory Statement.

Resolution 9 is a special resolution.

### **9. Resolutions 10 and 11 - Issue of Performance Shares to Related Parties**

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#### **9.1 General**

The initial class of Performance Shares drafted and agreed to for the Company's initial public offer (IPO) were contemplated in early 2017, well before the IPO in August of 2017. As part of the IPO process, the founders and executive Directors, Daniel Roberts and David Shapiro, were asked to cancel roughly 1/3 of their holdings pre-IPO and, in return, have the opportunity to re-vest those holdings through Performance Shares post-IPO.

Over the course of time post-IPO, numerous events transpired that made hitting the first tranche Performance Shares highly unlikely. First and foremost, due to timing of the IPO, the Company received new inventory well after the timeline that the Performance Shares contemplated. With limited stock during the busiest sales season of the year, management was not able to track against sales expectations and, thus, not able to vest

the first tranche. That said, in the same time post-IPO, management has opened up entirely new lines of business that the Performance Shares did not and could not have contemplated.

The Board recommends resetting the milestones by creating a new class of Performance Shares to better reflect the business in present day than was originally contemplated pre-IPO. Most notably, to reflect the inclusion of the white label line of products and new business-to-business sales, along with direct-to-consumer sales. The Board believes that the number of connections with a recurring revenue stream tied to the connection (**Connections**) is a better indicator of progress within the business than simply having revenue milestones, which would include hardware sales without a necessarily a recurring revenue stream tied to it. The new Performance Share milestones are:

- (a) **(Class A):** The Company receiving payment on its 5,000<sup>th</sup> white label system sold;
- (b) **(Class B):** The Company achieving 9,000 Connections; and
- (c) **(Class C):** The Company achieving 12,500 Connections.

By redefining the key metric to Number of Connections, management is incentivised to push all partners and all systems to have a recurring revenue stream associated with the connection. Ultimately, the Board is of the view that the recurring revenue stream at Scout is what drives the value of the business.

On this basis, the Company has agreed, subject to obtaining Shareholder approval, to issue 36,000,000 Performance Shares (Related Party Performance Shares) to Daniel Roberts and David Shapiro (or their respective nominees) on the terms and conditions set out below.

Resolutions 10 & 11 seek Shareholder approval for the grant of the Related Party Performance Shares to Daniel Roberts and David Shapiro (or their respective nominees).

## **8.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Related Party Performance Shares constitutes giving a financial benefit and Daniel Roberts and David Shapiro are related parties of the Company by virtue of being Directors.

The Directors (other than Daniel Roberts and David Shapiro who have a material personal interest in Resolutions 10 & 11) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Performance Shares because the agreement to grant the Related Party Performance Shares is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

## **8.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Related Party Performance Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It

is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

#### **8.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 11 & 12:

- (a) the Related Party Performance Shares will be granted to Daniel Roberts and David Shapiro (or their respective nominees);
- (b) the number of Related Party Performance Shares to be issued are;
  - (iii) to Mr Roberts:
    - (A) 6,000,000 Class A Performance Shares;
    - (B) 6,000,000 Class B Performance Shares; and
    - (C) 6,000,000 Class C Performance Shares;
  - (iv) to Mr Shapiro:
    - (A) 6,000,000 Class A Performance Shares;
    - (B) 6,000,000 Class B Performance Shares; and
    - (C) 6,000,000 Class C Performance Shares;
- (c) the Performance Shares will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Performance Shares will occur on the same date;
- (d) the Performance Shares will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Performance Shares are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Performance Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Performance Shares to Daniel Roberts and David Shapiro (or their respective nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## Definitions

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In this Notice and Explanatory Statement, the following terms have the following meanings:

**10% Placement Facility** has the meaning given in Section 5.1.

**10% Placement Period** has the meaning given in Section 5.1.

**Annexure** means an annexure to this Explanatory Statement.

**Annual General Meeting** or **Meeting** means the annual general meeting of Shareholders to be held on 27 November 2018 at 9:30am (WST).

**Annual Report** means the annual report of the Company for the financial year ended 30 June 2018.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

**Auditor's Report** means the Directors' Report, the Financial Report and Auditor's Report, in respect of the financial year ended 30 June 2017.

**AWST** means Western Standard Time, being the time in Perth, Western Australia.

**Board** means the board of Directors.

**Chair** means the chairperson of the Meeting.

**Closely Related Party** means a closely related party of a member of Key Management Personnel as defined in Section 9 of the Corporations Act, being:

- a spouse or child of the member;
- a child of that member's spouse;
- a dependent of that member or of that member's spouse;
- anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company;
- a company that is controlled by that member; or
- any other person prescribed by the regulations.

**Company** or **Scout** means Scout Security Limited ACN 615 321 189.

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

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company.

**Equity Securities** has the meaning given in the Listing Rules.

**Explanatory Statement** means the explanatory statement incorporated in the Notice.

**Exempt Investor** means a professional or sophisticated investor under section 708 of the Corporations Act.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company.

**Key Management Personnel** means the key management personnel of the Company as defined in Section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

**Listing Rules** means the official Listing Rules of ASX.

**Notice of Annual General Meeting or Notice** means the notice of annual general meeting incorporating the Explanatory Statement.

**Performance Share** means a performance share in the Company with the terms and conditions set out in Schedule 1.

**Proxy Form** means the proxy form attached to this Notice.

**Remuneration Report** means the section of the Annual Report entitled 'Remuneration Report'.

**Resolution** means a resolution contained in the Notice.

**Section** means a section contained in the Explanatory Statement.

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

**Shareholder** means a holder of one or more Shares.

**Trading Day** has the meaning given in the Listing Rules.

**VWAP** means volume weighted average market price.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## ANNEXURE A – Nomination of Auditor letter

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16 October 2018  
Scout Security Limited  
Unit 7, 151 Macquarie Street  
Sydney NSW 2000

I, Sol Majteles being a director and beneficiary of the Simon Nominees Pty Ltd <HS Majteles Super Fund A/C>, being a member of Scout Security Limited (**Company**), nominate Nexia Perth Audit Services Pty Ltd in accordance with section 328B(1) of the *Corporations Act 2001* (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Signed and dated:



Simon Nominees Pty Ltd <HS Majteles Super Fund A/C>  
**16 October 2018**

## Schedule 1 – Terms and Conditions of Performance Shares

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### 1.1 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.

### 1.2 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, each of which is tied to the Company achieving a certain number of connections with a subscription based recurring revenue stream for the Company tied to the connection (**Connection**):
  - (i) **(Class A):** 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 receiving payment on its 5,000<sup>th</sup> white label system sold;



- (ii) **(Class B):** 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 9,000 Connections; and
  - (iii) **(Class C):** 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 12,500 Connections,

(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:

$$A = B - (B \times C)$$

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:

$$D = E \times F$$

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 the Holders will be approximately 25%.

**Scout Security Limited**  
**ACN 615 321 189**

**PROXY FORM**

I/We

of

being a member of Scout Security Limited ACN 615 321 189 entitled to attend and vote at the Annual General Meeting, hereby

Appoint

**Name of Proxy**

OR

the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10am (AWST) on 27 November 2018, at 9.30am, Perth, Western Australia, and at any adjournment thereof.

**The Chair intends to vote all undirected proxies in favour of all Resolutions.** If you have appointed the Chair as your proxy (or the Chair becomes your proxy by default), and you wish to give the Chair specific voting directions on a Resolution, you should mark the appropriate box(es) opposite those Resolutions in the panel below (i.e. directing the Chair to vote for, against or to abstain from voting).

OR

Voting on business of the Annual General Meeting		For	Against	Abstain
Resolution 1	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of John Strong as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of lead manager options to Zenix Nominees Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of prior issue of lead manager options to Sandton Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Removal of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Appointment of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Selective Share Buy-Back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Creation of a new Class of Securities – Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Performance Shares to Daniel Roberts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Issue of Performance Shares to David Shapiro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

**Signature of Member(s):      Date:**

**Individual or Member 1**

**Sole Director/Company Secretary**

**Member 2**

**Director**

**Member 3**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

## Instructions for Proxy Form

### 1. Your name and address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note you cannot change ownership of your securities using this form.

### 2. Appointment of a proxy

You are entitled to appoint no more than two proxies to attend and vote on a poll on your behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of your voting rights. If you appoint two proxies and the appointment does not specify this proportion, each proxy may exercise half of your votes.

If you wish to appoint the Chair of the Annual General Meeting as your proxy, please mark the box. If you leave this section blank or your named proxy does not attend the General Meeting, the Chair will be your proxy. A proxy need not be a Shareholder.

### 3. Voting on Resolutions

You may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item your vote will be invalid on that item.

### 4. Signing instructions

You must sign this form as follows in the spaces provided:

- **(Individual)** Where the holding is in one name, the holder must sign.
- **(Joint holding)** Where the holding is in more than one name, all of the shareholders should sign.
- **(Power of attorney)** If you have not already lodged the power of attorney with the Company's share registry, please attach a certified photocopy of the power of attorney to this form when you return it.
- **(Companies)** Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, as sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

### 5. Return of a Proxy Form

To vote by proxy, please complete and sign the enclosed Proxy Form (and any power of attorney and/or second Proxy Form) and return by:

- (a) post to Scout Security Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- (b) facsimile to Scout Security Limited, C/- Link Market Services Limited on +61 2 9287 0309; or
- (c) by hand to Scout Security Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138

so that it is received by no later than 12pm (WDT) on 25 November 2018. **Proxy Forms received later than this time will be invalid.**