

ASX RELEASE
23 December 2021

Placement to Directors at 3x Market Price. Note Extension and Raise

Highlights:

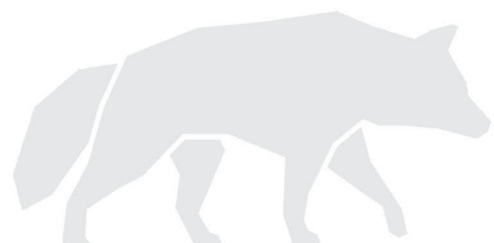
- **Scout's Board of Directors, including its co-founders, have committed to a \$200k Placement at \$0.0875 per share, subject to shareholder approval**
 - **The price of the Placement is triple the last traded price**
- **Investors representing 94% of the outstanding Facility Notes on issue have agreed to extend the term ~17 months from 16 July 2022 to 31 December 2023, subject to shareholder approval**
- **\$450k has been committed by current note holders to a New Convertible Note on terms materially the same as the Facility Notes currently on issue**

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") is pleased to announce that the Company has successfully secured commitments for a \$650k capital raising through a Placement (defined below) to all members of the Company's board of directors to raise \$200k and the issue of New Convertible Notes (defined below) to institutional and sophisticated investors to raise \$450k, all subject to shareholder approval.

The capital raised will provide balance sheet support to fund growth initiatives and will be primarily applied towards business development, with a key focus on building on current sales momentum with Scout's white label partners.

The Company has also reached agreement, subject to shareholder approval, with holders of 94% of the Facility Notes (defined below) currently on issue, to extend the maturity date of their notes from 16 July 2022 to 31 December 2023.

The Company is now well-resourced to scale up in 2022 with the proceeds from these raisings, and, as previously announced, a strengthened management team; and line of sight on cash flow break-even as units from binding orders already received from Scout's US telco partner are sold and activated. i.e. the Recurring Monthly Revenue ("RMR") from activating these units is expected to produce sufficient RMR to balance monthly cash burn (~\$180k).



Further, Scout continues to receive orders from this customer for significantly greater volumes than their current sales, giving the Company confidence that it will reach and surpass cash-flow break even in CY22.

Placement to Directors

The placement will, subject to shareholder approval, see approximately 2.29 million new shares issued to Directors at \$0.0875 per share ("Placement"). The issue price under the Placement is 3x the last traded price of 2.9c and a premium of 149% to the 30-day Volume Weighted Average Price ("VWAP") of 3.52c. The Placement will not trigger a change in the conversion price of the Facility Notes currently on issue.

Shareholder approval for the Placement will be sought at an extraordinary general meeting, expected to be held in late January 2021 (the "EGM").

All Directors are participating in the Placement, including the Company's two co-founders.

Maturity of Existing Convertible Note Extended

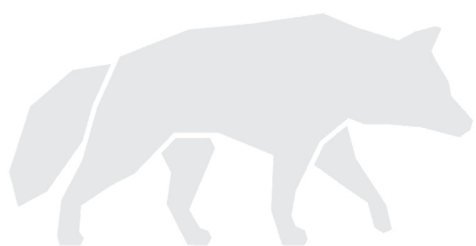
In July 2020, the Company announced it had secured funding via a convertible note facility, the terms of which are summarised in the Company's notice of annual general meeting for the financial year ended 30 June 2020 ("Facility").

A total of \$1.25 million has been drawn under the Facility to date:

- An initial instalment of \$750k was drawn in July 2020 ("Initial Instalment"), under which the Company issued 750k convertible notes on the terms set out in the Company's notice of annual general meeting for the financial year ended 30 June 2020 ("Initial Convertible Notes"). To date, \$112k of Initial Convertible Notes have been converted and \$638k of Initial Convertible Notes remain on issue.
- A subsequent instalment of \$500k was drawn on 29 October 2021 ("Subsequent Instalment"), under which 500,000 convertible notes have been, or will be, issued on the terms set out in the Company notice of annual general meeting for the financial year ended 30 June 2021 ("Subsequent Convertible Notes") with 462,500 Subsequent Convertible notes issued on 23 November 2021, \$50,000 of Subsequent Convertible Notes to be issued on receipt of investment funds that remain outstanding and \$37,500 of Subsequent Convertible Notes to be issued to related parties on receipt of shareholder approval.

Under the terms of the Facility, the maturity date of the Initial Convertible Notes and Subsequent Convertible Notes (together, the "Facility Notes") was 24 months from the date of the Facility (i.e. 16 July 2022). The Company has agreed with investors holding \$600k of outstanding Initial Convertible Notes and \$425k of outstanding Subsequent Convertible Notes, representing 94% of the outstanding Facility Notes, that, subject to shareholder approval, the maturity date of the Facility Notes be extended to 31 December 2023, an extension of approximately 17 months. The maturity date of the remaining \$62.5k of Facility Notes remains unchanged at 16 July 2022.

The terms of the Facility and the Facility Notes otherwise remain unchanged, with interest payable on issued notes at 5% per annum and a conversion price being the lower of \$0.07 per share or a 20% discount to any equity issuance, with a \$0.03 floor price.



Convertible Note Issue to Raise \$450k

The Company has secured commitments from investors to raise \$450k through the issue of convertible notes on the terms set out in the Annexure to this announcement ("New Convertible Notes"), which are materially the same as the terms of the Subsequent Instalment of the Facility Notes, provided that the maturity date will be 31 December 2023:

- The conversion price is the lower of \$0.07 a share or at a 20% discount to any equity issuance during the term of the convertible notes, with a \$0.03 floor price.
- For every \$0.07 of New Convertible Notes issued, two \$0.07, 3-year, Options will be issued.

The investors in the New Convertible Notes include most, but not all, investors in the Facility

The issuance of New Convertible Notes is not being undertaken under the Facility (defined below) and will not impact the terms of the Facility (including the funds remaining undrawn under the Facility) or the Facility Notes currently on issue. The Company does not intend to draw further on the Facility and, per the terms, loses the ability to do so in January 2022.

The issuance of New Convertible Notes and attaching options is subject to shareholder approval, which will be sought at the EGM.

Scout Chairman, Martin Pretty, said:

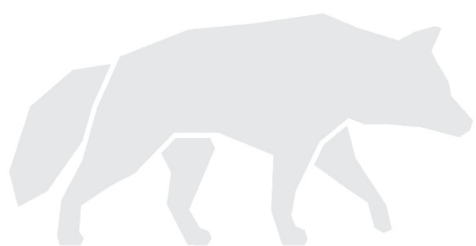
"The strength of the positive view that each of my fellow Directors and I have in Scout's growth prospects is clearly reflected in the price at which we have agreed to invest new equity capital in the Company, being approximately triple the last traded price."

"Our goal in CY22 is to convert our corporate development pipeline into equally valuable partnerships. We are targeting telco sector peers that now see how we fit in their sector; and are also targeting Internet Service Providers who see smart homes and home security as a natural add on to their services. We also see opportunity in next-gen Wi-Fi sensing technologies that integrate security."

"Our efforts in South America have been hampered by COVID-19 related economic factors. However, as the world adapts, we expect to continue to expand in the Latin economies in which our partner is a strong force."

"We are pleased and grateful to have secured the support of existing investors who have agreed to extend the term of their Facility Notes and those who have participated in the capital raise through the issue of New Convertible Notes. The \$650k funding package under the Placement and issue of New Convertible Notes will fund our next phase and allows us to expand our senior management team as we scale up."

"On behalf of the Board, I would like to thank our shareholders, as well as all investors associated with today's funding package, for their support. We are focused on rapidly executing Scout's growth strategy and look forward to delivering value for the Company's customers, partners, staff and investors."



This ASX release has been authorised by the Board of Directors of Scout Security Ltd.

For more information, please contact:

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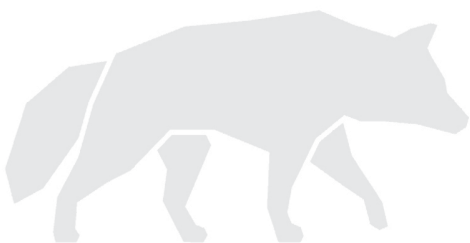
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About Scout Security Limited

Scout Security Limited (ASX: SCT) sells the Scout Alarm, a self-installed, wireless home security platform that is making security more modern, open and affordable. Scout was named “Best for Custom Notifications and Alarms” in 2021 by US News and World Report.

Scout’s design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class IoT devices and offering flexible monitoring options.

Scout is an official partner of Amazon Alexa and Google’s Assistant. Scout is also an Amazon Alexa Fund portfolio company.



Annexure: Material Terms of Convertible Note Deed of New Convertible Notes

Loan Structure:	Convertible Note
Facility Amount:	\$450,000
Interest:	5% p.a on drawn amounts, accruing daily and payable quarterly.
Term:	2 years from execution date.
Drawdown:	Single Drawdown, 7 days following receipt of shareholder approval for issue of the Convertible Notes.
Conversion Preference:	Investor can convert at any time. Investor will have a conversion preference over redemption by Scout.
Redemption:	Scout may issue a redemption notice at any time with 30 days' notice. Investors must convert within the notice period or will be redeemed. Any Notes remaining unconverted at Term must be redeemed by Scout at Term.
Drawdown Conditions:	Receipt of shareholder approval for issue of the Convertible Notes.
Conversion Price:	Lower of \$0.07 or 20% discount to lowest price of issue of any securities after execution date subject to a floor of 3c, other than on conversion or exercise of any securities on issue as at the date of this Deed or pursuant to an employee share scheme.
Attaching Options:	1 million, 7c, 3 year Options pro rata to investment, subject to shareholder approval <i>i.e 2 Options for equivalent of each converted share at 7c</i>
Conditions Precedent:	Execution of documentation and shareholder approval.
Security:	Unsecured
Covenants/Default:	As per existing convertible note deed dated July 2021.
Default Interest:	15% p.a accruing daily and payable monthly, calculated from Drawdown.
Other	All amounts are Australian Dollars and exclude GST

