



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
28 November 2017, commencing at 12:00pm (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 26 November 2017.

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NOTICE OF ANNUAL GENERAL MEETING

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 28 November 2017, commencing at 12:00pm (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

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2017, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report.

Resolution 1: Approval of Remuneration Report

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: Election of John Strong as a Director

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

"That, for the purposes of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr John Strong, a Director who was appointed on 22 August 2017, retires, and being eligible, is re-elected as a Director."

Resolution 3: Election of Daniel Roberts as a Director

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

"That, for the purposes of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Daniel Roberts, a Director who was appointed on 22 August 2017, retires, and being eligible, is re-elected as a Director."

Resolution 4: Election of David Shapiro as a Director

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

“That, for the purposes of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr David Shapiro, a Director who was appointed on 22 August 2017, retires, and being eligible, is re-elected as a Director.”

Resolution 5: Election of Anthony Brown as a Director

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

“That, for the purposes of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Anthony Brown, a Director who was appointed on 22 August 2017, retires, and being eligible, is re-elected as a Director.”

Resolution 6: Election of Sol Majteles as a Director

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

“That, for the purposes of clause 14.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Sol Majteles, a Director who was appointed on 22 August 2017, retires, and being eligible, is re-elected as a Director.”

Resolution 7: Approval of 10% Placement Facility

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 on this Resolution by any person who may participate in an issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of 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 8: Appointment of an Auditor at First AGM

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

"That, for the purposes of section 327B of the Corporations Act and for all other purposes, BDO Audit (WA) Pty Ltd, having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with effect from the close of the meeting."

By order of the Board



Stuart Usher
Company Secretary
Scout Security Limited
23 October 2017

EXPLANATORY STATEMENT

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 28 November 2017, commencing at 12:00pm (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 26 November 2017 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

1.1 Annual Report

The Annual Report of the Company for the financial year ended 30 June 2017, 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

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: Election of John Strong as a Director

3.1 Background

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 14.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. John Strong has been appointed as an Independent Non-Executive Chairman of Scout Security on 22 August 2017 after providing his consent to act as Director.

Mr. John Strong will retire and being eligible seek election as Director from Shareholders.

The Directors recommend that Shareholders vote in favour of Resolution 2. Brief background information on Mr Strong is set out below:

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

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

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

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

3.2 Directors' recommendations

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

4. Resolution 3: Election of Daniel Roberts as a Director

4.1 Background

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 14.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. Daniel Roberts has been appointed as an Executive Director and Chief Executive Officer of Scout Security on 22 August 2017 after providing his consent to act as Director.

Mr. Daniel Roberts will retire and being eligible seek election as Director from Shareholders.

The Directors recommend that Shareholders vote in favour of Resolution 3. Brief background information on Mr Roberts is set out below:

Daniel received a Bachelor of Science in Business Administration from Ohio State University, with a double major in Marketing and Logistics. Daniel also holds a Master of Design (MDes) from the Institute of Design at the Illinois Institute of Technology.

His professional life spans work experience in each of these areas, having worked in sales, logistics, as a design consultant and a founder-in residence. Prior to Scout, Daniel worked as a Founder-in-Residence at Sandbox Industries, a startup incubator in Chicago. During his time at Sandbox, Daniel was charged with overseeing every aspect of starting and running companies on behalf of Sandbox and the incubation team.

His responsibilities included initial market research, concept development, financial modelling, design strategy, prototyping, pitching, project management and fundraising. It was during this time that he honed his skills for starting and scaling new ventures. Also, while at Sandbox, Daniel met David Shapiro and the two started working together professionally.

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

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

4.2 Directors' recommendations

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

5. Resolution 4: Election of David Shapiro as a Director

5.1 Background

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 14.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. David Shapiro has been appointed as an Executive Director and Chief Technology Officer of Scout Security on 22 August 2017 after providing his consent to act as Director.

Mr. David Shapiro will retire and being eligible seek election as Director from Shareholders.

The Directors recommend that Shareholders vote in favour of Resolution 4. Brief background information on Mr Shapiro is set out below:

David received a Bachelor of Science and Arts in computer science from Miami University of Ohio. Prior to Scout, David worked at Sandbox Industries in Chicago Illinois as a lead developer. Similar to his role at Scout, David was responsible for overseeing and implementing the creation of technology stacks for the various projects he worked on during his time at Sandbox.

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

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

5.2 Directors' recommendations

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

6. Resolution 5: Election of Anthony Brown as a Director

6.1 Background

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 14.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. Anthony Brown has been appointed as a Non-Executive Director of Scout Security on 22 August 2017 after providing his consent to act as Director.

Mr. Anthony Brown will retire and being eligible seek election as Director from Shareholders.

The Directors recommend that Shareholders vote in favour of Resolution 5. Brief background information on Mr Brown is set out below:

Anthony has been involved in the electronic security industry for over 25 years, with a career that spans all facets of the security, from mechanical, physical, electronic and the logical areas of security. Anthony currently consults to major organisations in Australia and the Asia Pacific, with prior positions held being as the company owner of a systems integration business that was sold to Schneider Electric, general manager of several successful organisations and as the regional director for critical infrastructure for Smiths Detection.

During Anthony's leadership, his organisations have won major awards for product sales and system installations within Australia and the Asia Pacific. Anthony is a high-energy leader with entrepreneurial flare, excellent communication skills and a passionate commitment to professionalism at all levels of an organisation.

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

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

6.2 Directors' recommendations

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

7. Resolution 6: Election of Sol Majteles as a Director

7.1 Background

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 14.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. Sol Majteles has been appointed as a Non-Executive Director of Scout Security on 22 August 2017 after providing his consent to act as Director.

Mr. Sol Majteles will retire and being eligible seek election as Director from Shareholders.

The Directors recommend that Shareholders vote in favour of Resolution 6. Brief background information on Mr Majteles is set out below:

Mr Majteles is a commercial lawyer and has been in private legal practice since 1972. He has over 40 years' experience in business, corporate, property and commercial law. Since 1983 he has been a director of a

number of public listed companies operating in the mining and exploration sector (gold, base metals, coal, uranium, oil and gas) and in the biotech and technology sectors.

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

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

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

7.2 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

8. Resolution 7: Approval of 10% Placement Facility

Resolution 7 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 7 is a special resolution, at least 75% of the votes cast on Resolution 7 must be cast in favour of the Resolution in order for it to be passed.

8.1 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 \$18,328,950 (based on the number of Shares on issue and the closing price of Shares on the ASX on 18 October 2017).

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**).

8.2 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	Current Market Price	100% increase in Market Price
	\$0.09	\$0.18	\$0.27
10% Voting Dilution	10,182,750 Shares	10,182,750 Shares	10,182,750 Shares
Funds raised	\$916,447	\$1,832,895	\$2,749,342
10% Voting Dilution	15,273,675 Shares	15,273,675 Shares	15,273,675 Shares
Funds raised	\$1,374,631	\$2,749,262	\$4,123,892
10% Voting Dilution	20,365,500 Shares	20,365,500 Shares	20,365,500 Shares
Funds raised	\$1,832,895	\$3,665,790	\$5,498,685

Notes:

1. There are currently 101,827,501 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 \$0.18, being the closing price of Shares on 18 October 2017.

(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 7 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.

Previous Approval

The Company has not previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A.

Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7.

9. Resolution 8: Appointment of Auditor at First AGM

The Directors of a public company must appoint an auditor within one month of registration. The directors have appointed BDO Audit (WA) Pty Ltd as the Company's auditor.

The auditor of a public company so appointed within one month of registration holds office until the first annual general meeting of the Company. The auditor must be re-appointed at the first annual general meeting so that they may continue to act as auditor of the Company.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a shareholder for BDO Audit (WA) Pty Ltd to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure A.

BDO Audit (WA) Pty Ltd has given its written consent to act as the Company's auditor subject to shareholder approval of this resolution.

If this resolution is passed, the appointment of BDO Audit (WA) Pty Ltd as the Company's auditor will take effect at the close of this Meeting.

DEFINITIONS

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 28 November 2017 at 1:00pm (AWST).

Annual Report means the annual report of the Company for the financial year ended 30 June 2017.

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 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.

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

23 October 2017
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 BDO Audit (WA) 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:

A handwritten signature in black ink, appearing to read 'Majteles.', enclosed within a thin black rectangular border.

Simon Nominees Pty Ltd <HS Majteles Super Fund A/C>
23 October 2017

