Results for announcement to the market

For the year ended 30 June 2023
(Previous corresponding period: to 30 June 2022)

Summary of Financial Information

	2023 $'000	2022 $'000	Change $'000	Change %
Revenue from ordinary activities	1,659	4,310	(2,651)	(62%)
Profit/(loss) from ordinary activities after income tax for the period attributable to members	(4,542)	(3,289)	(1,253)	(38%)
Profit/(loss) after income tax attributable to members	(4,603)	(3,135)	(1,468)	(47%)

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2023.

Net tangible assets

	2023	2022
Basic net tangible asset backing per ordinary share	$(0.019)	$(0.016)

Refer to the attached audited Financial Report for additional disclosure

Scout Security Limited

ABN 13 615 321 189

and its controlled entities

ANNUAL REPORT

30 June 2023

Corporate directory

Current Directors		Tenure
Mr Daniel Roberts	*Executive Director*	Appointed August 2017
Mr Martin Pretty	*Non-executive Chairman*	Appointed July 2020
Mr David Shapiro	*Non-executive Director*	Appointed August 2017
Mr Anthony Brown	*Non-executive Director*	Appointed August 2017
Mr Ryan McCall	*Executive Director*	Appointed February 2023

Company Secretary

Ms Kim Clark Effective July 4, 2022

Registered Office - Australia

Street + Postal: Level 12
225 George St.
Sydney, NSW 2000
Telephone: +1-844-287-2688
Email: investors@scoutalarm.com
Website: www.scoutalarm.com

Registered Office – United States

210 North Racine Avenue
Unit 2N, Chicago, IL 60607
United States of America

Auditors

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
SUBIACO WA 6008
Telephone: +61 (0)8 9426 0666

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Share Registry

Advanced Share Registry Limited
Street + Postal: 110 Stirling Highway
NEDLANDS WA 6009
Telephone: 1300 113 258 (within Australia)
+61 (0)8 9389 8033 (International)
Facsimile: +61 (0)8 6370 4203
Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au

Securities Exchange

Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000
Telephone: 131 ASX (131 279) (within Australia)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
Website: www.asx.com.au
ASX Code SCT

Bankers

Westpac Banking Corporation
130 Rokeby Road
Subiaco WA 6008

Contents

Chairman’s Message

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2023 Annual Report for Scout Security Limited, a company that continues to strengthen its position and reputation as a global security platform technology provider. As Chair of the company, I would like to take this opportunity to reflect on our progress, address the challenges we faced, and outline our plans for the future.

During the year, we built on the foundations that were established since the Company made its strategic pivot towards white labelling. Through the hard work of our enhanced executive team, we saw sales of the Scout-powered white labelled telco home security solution continue to develop, both in the US and internationally. Despite year-over-year revenue declining due to a lack of large white label hardware purchase in FY23, our recurring monthly revenue continues to grow month-on-month.

It has been pleasing to see our sales program with regional US ISP Windstream begin to blossom in FY23. Now that Windstream's e-commerce sales have commenced, we expect this rollout to gather pace. It has also been pleasing to finally bring the platform to Australia, launching local sales via our shareholder Amazon (an investor in Scout via the Amazon Alexa Fund), with plans to expand in Australia in FY24.

We have also made consistent progress under our partnership with US$2 billion market cap US telecommunications company Lumen Technologies Inc (NYSE: LUMN). This partnership offers a particularly capital-light path to scale, as WiFi Motion Sense technology is now being deployed via routers, extenders, and other devices by Lumen and other industry players. This allows consumers to turn on Scout-powered monitoring and connect security devices without having to invest in high priced equipment such as a central hub and additional sensors.

This development underpins our excitement with the recent pilot program launch of our Motion Sense Security offering with Lumen. WiFi sensing is a cutting-edge technology which we expect to revolutionise home security while making it more accessible and cost-effective for our customers. Leveraging this technology will help us to attract new customers and expand our market reach, not just into the telco vertical but also potentially into adjacent industries like health, wellness and aged care. Scout remains uniquely placed as the only white label DIY security platform in the world that can also offer WiFi Motion Sense.

We remain focused on achieving strong cash flow generation. The operating leverage built into in our white label sales model means that Scout only needs one large active customer for the business to generate positive operating cash flow. Each additional white label partner will compound and accelerate this trajectory.

With this in mind, we continue to cultivate partnerships which offer potential to accelerate our revenue growth. We are working through a robust pipeline of potential new white label customers. Smart security remains one of the most compelling extensions of the telco core and based on the successes we’re seeing with our first US partners, we have good reasons to hold a positive outlook for growth in the year ahead.

While we acknowledge the challenges we have faced in the past year, which primarily stemmed from launch timing issues with our partners, we remain optimistic about the future of Scout Security. We have assembled a dedicated team that is committed to driving growth and delivering innovative security solutions to our customers. With solid building blocks in place, we are confident that our strategic expansion into WiFi sensing will position us for success in the coming years.

I am proud of how our team addressed its challenges in the past year. I would like to thank our personnel for their dedicated efforts and my fellow Board members for their commitment and counsel.

I would also like to express my gratitude to our investors for their continued support and belief in our vision. Your investment and trust in Scout Security are invaluable to us, and we are committed to delivering results that will reward your faith in our company. As our business continues to gain scale, we look forward to having you share this journey with us.

Martin Pretty
Non-Executive Chairman
Scout Security Ltd

Directors' report

Your directors present their report on the consolidated entity, consisting of Scout Security Limited (**Scout** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2023.

Scout is listed on the Australian Securities Exchange (ASX:SCT).

1. Directors

The names of Directors in office at any time during or since the end of the year are:

■ Mr Martin Pretty	Non-executive Chairman (appointed Non-executive Chairman on 23 August 2021)
■ Mr Daniel Roberts	Executive Director
■ Mr David Shapiro	Non-executive Director
■ Mr Anthony Brown	Non-executive Director
■ Mr Ryan McCall	Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the directors of this Directors Report.

2. Company secretary

The following person held the position of Company Secretary at the end of the financial year:

- Ms Kim Clark

Qualifications	☐ Certificate III in Financial Services, Graduate Certificate in Commerce, Certificate of Banking
Experience	☐ Ms. Clark is an experienced business professional with more than 20 years in banking and finance, and over 15 years as a Company Secretary to other ASX-listed entities. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance, and governance. As Head of Corporate Services for BoardRoom Australia in Queensland, Ms Clark provides company secretarial services to a range of private and public companies, along with business development expertise.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2023.

4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2023 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations Principal Activities

Scout Security Limited (ASX: SCT or the Company) is a Security-as-a-Service company. developer of a technology platform that powers smart home security offerings from leading Security, Telecommunications and PropTech companies. With its DIY range of security devices and seamless integration with other best-in-class smart home solutions from the likes of Amazon Alexa, Google Assistant and Yale, Security.org's 2021 review says Scout's offering "redefines DIY home security". Scout's platform facilitates professional security monitoring, while its mobile app is a powerful command system for end users to monitor their home and manage their security remotely. Scout's strategic shareholders include global security company Prosegur and the Amazon Alexa Fund. Scout-powered solutions are currently being rolled out by Prosegur and top tier Internet Service Providers around the world.

Directors' report

5.2. Operations Review

BUSINESS DEVELOPMENT

The Company focused on both expansion and growth in FY23 through new and existing white label partners. Key business development announcements during the period included:

August 2022:	Statement of Work executed with Lumen Technologies, Inc. (NYSE: LUMN) ("Lumen")
October 2022:	Launch of Scout's home security platform into Australia via Amazon.com.au
February 2023:	Memorandum of Understanding (MoU) signed with a major North American provider of WiFi motion sensing technology
February 2023:	Alpha version of Lumen's Scout-powered Motion Sense Security solution completed
March 2023:	Expansion of Windstream sales campaign to target existing customers with lower-bandwidth internet connections
June 2023:	Expansion of Windstream sales campaign to target existing customers through the e-commerce channel
July 2023:	White label pilot program launched with Lumen

Windstream Partnership

Launching in September 2021, Kinetic Secure Home (KSH) by Windstream marked the first major US telco to white label the Scout Security-as-a-Service platform. Through close collaboration, Scout and Windstream have continued to develop the program. FY23 has seen joint marketing initiatives, ongoing training of Windstream's retail and inside sales staffs and regular feature update releases.

In the first half of the year, Windstream added approximately 500 net new customers monthly while the parties worked together on expanding the sales program to incorporate lower-bandwidth customers and the e-commerce channel. The delivery of both of these initiatives in H2 FY23 should lead to an acceleration in new customer adds in FY24.

Existing Windstream customers are now being prompted to subscribe to the offer directly through the GoKinetic portal and mobile apps, with new hardware shipped straight to their service address. Marketing email campaigns are continuing with call to action links to purchase via the portal.

Lumen Partnership

Early in FY23, Scout executed the largest expansion in its white label partner group to date, signing a Statement of Work with Lumen Technologies, Inc. Lumen is a US$2bn market cap, full-service US telco with 5 million broadband subscribers, adding 20,000 new broadband subscribers monthly, and US$20bn in annual revenue. It offers bundled services including high-speed broadband and fibre internet, entertainment, digital TV, voice and cybersecurity to residential subscribers and multi-tenant buildings. Lumen also provides data, cloud solutions, unified communications and managed services to small, medium and large business, enterprise clients and government agencies.

Scout has been contracted to build out a motion sense home security solution for Lumen, integrated into their Quantum Fiber mobile app, as part of a smart security platform buildout encompassing all functionality necessary for Lumen to provide home security services, video cloud storage and smart home controls to Lumen subscribers. The solution is intended to leverage existing whole-home WiFi equipment from Lumen, fibre internet, Scout video products and Lumen technology licenses.

This solution will bring cutting-edge WiFi sensing capability to detect motion in homes through any WiFi6 router. This will open a new addressable market for Scout of low-bandwidth users who could purchase a "light" home security system as a stepping stone that can be built up over time.

Directors' report

Following the end of the quarter, Scout launched its pilot program with Lumen after having built and delivered the motion sense home security app. Scout now expects to launch the smart security and control platform under Lumen's brand in FY24, with recurring revenue to follow.

International Expansion

In October 2022, Scout announced the launch of its home security platform into Australia via Amazon.com.au. Amazon is a Scout shareholder and long-time partner of the Company.

Australian sales have grown over the course of FY23. This has provided a basis for ongoing discussions with Australian ISPs and value-added resellers (VARs) to bring Scout's Security-as-a-Service platform to Australia.

Industry Engagement and Recognition

It was another pleasing year of recognition for Scout within the industry. Forbes recognised Scout as one of the "Best Home Security Companies of 2023", citing the benefits of allowing customers to build unique product packages of their own that are compatible with Amazon Alexa, Google Assistant and a host of popular smart home equipment.

Mergers and Acquisitions

There are extensive opportunities to inorganically accelerate the growth of the Company through strategic acquisitions. Even as the market for DiY security has consolidated over the past 10 years, there remain a number of independent companies similar in scale to Scout. That along with those in the ageing in place, wellness, and general IoT industries could provide attractive opportunities for the Company to grow via acquisition and accelerate the path to profitability after restructuring.

5.3 Corporate

In February 2023, Chief Executive Officer, Ryan McCall, was appointed to the Company's board of directors.

Funding activities

During the year the Company executed on several smaller facilities to build working capital for continued growth of the business. Participants in these raises included the Board of Directors, CEO, and sophisticated investors.

In September 2022, Scout successfully completed a $0.93 million placement and launched a partially underwritten $1.38 million rights issue. The placement of 31.0 million new shares at $0.03/share was made to professional and sophisticated investor clients of Sequoia Corporate Finance Pty Ltd. One free attaching option was issued for every two shares issued under the placement. Each option has a $0.07 exercise price and an expiry date of 16 July 2024.

The placement was followed by a non-renounceable rights issue on a 1-for-4 basis on the expanded capital base at the same terms as the placement to raise up to a further $1.38 million through the issue of 46.1 million shares and 23.05 million free attaching options. The Company received commitments for $1.278 million under the Rights Issue via entitlements acceptances from existing investors and successfully placed the shortfall in December 2022 to raise the maximum of $1.38 million before costs.

In April 2023, Scout entered into a ~$2.59 million finance facility with a syndicate of mostly US-based investors. The facility is senior and secured by all the assets of the Company. It incorporates the rollover of existing secured loans made by related party lenders, with net additional funds of ~$1.74 million. The interest rate on the new facility is 12.0% per annum with a term of 5 years, and associated warrants were issued at $0.05 with a second potential tranche at $0.07 per share. Scout reserves the right to accept up to USD$4.5 million (AU$6.04 million) in aggregate to the facility at the same terms without requesting approval from the majority of the debt providers.

Net proceeds of the capital raisings completed during FY23 will be used to support the Company's working capital and the exploration of further growth opportunities as Scout continues to scale up its home security platform rollout via white label partners.

Directors' report

5.4. Outlook

Scout continues to gain scale and remains poised for significant growth. The Company has ambitious goals for the year ahead, expecting further growth in sales through Scout's US telecommunications partner and progress on its pipeline of potential white label partners.

The Company is well-placed to benefit in FY24 from gains in the operational efficiency and competency of the business achieved through key hires made in the prior year, including a new CEO, Chairman, COO, Chief Product Officer, Company Secretary and CFO.

The market for app-based security systems remains robust, with greater than 50% of all home security systems being self-installed, supporting the growth outlook for Scout.

5.5. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of $4,542,362 (2022: $3,288,924 loss).

The Group's revenue for the year ended 30 June 2023 was recorded at $1,658,638 as compared with the previous year ended 30 June 2022 which recorded $$4,310,127.

The net liability of the Group have increased from 30 June 2022 by $2,054,309 to $(4,492,118) at 30 June 2023 (2022: $(2,437,809) net liabilities).

As at 30 June 2023, the Group's cash and cash equivalents increased from 30 June 2022 by $815,558 to $1,052,421 at 30 June 2023 (2022: $236,863) and had a working capital deficit of ($1,972,585) (2022: $(864,313) working capital deficit), as noted in Note 22.1.3 Going Concern on page 58. Please refer to the Operations Review above for additional business segment performance.

5.6. Events Subsequent to Reporting Date

As of 7 August 2023, debt noted in 5.5.2.1 in the amount of $301,659 AUD was repaid to lender.

As of 24 August 2023, $220,000 USD in additional secured debt has been received in relation to loan detailed in note 5.7.4.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 13 Events subsequent to reporting date on page 49.

5.7. Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group have been disclosed in the Operating and Financial Review section of the Directors' Report.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations, not otherwise disclosed in this report, have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

5.8. Environmental Regulations

The Group's operations are not subject to any other significant environmental regulations in the jurisdictions it operates in, namely Australia and the United States

Directors' report

6. Information relating to the directors

Mr Martin Pretty	Non-Executive Chairman; Independent
Qualifications	BA, CFA
Experience	Mr Pretty has over 20 years of experience in the investment and finance industry. He has been deeply involved throughout his career in supporting and investing in growing Australian-listed technology businesses. He was previously an investment manager with Thorney Investment Group and held management roles at ASX listed companies Hub24, Bell Financial Group and IWL Limited.
Interest in Shares and Options	7,189,497 Ordinary Shares 3,716,751 Options 92,500 Convertible Notes
Directorships held in other listed entities during the three years prior to the current year	Centrepoint Alliance – Non-Executive Director Spacetalk Ltd. (Formally MGM Wireless) Non-Executive Director

Mr Daniel Roberts	Executive Director; Non-independent
Qualifications	B.Sc, MDes
Experience	Mr Roberts received a Bachelor of Science in Business Administration from Ohio State University, with a double major in Marketing and Logistics. Mr Roberts 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, he worked as a Founder-in-Residence at Sandbox Industries, a start-up incubator in Chicago. During his time at Sandbox, Mr Roberts 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, Mr Roberts met David Shapiro and the two started working together professionally. Prior to graduate school, Mr Roberts 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.
Interest in Shares and Options	9,900,541 Ordinary Shares 2,000,000 Options
Special Responsibilities	Chief Product Officer
Directorships held in other listed entities during the three years prior to the current year	None

Mr David Shapiro	Non-executive Director Non-independent
Qualifications	B.Sc.

Directors' report

Experience	☐	Mr Shapiro received a Bachelor of Science and Arts in computer science from Miami University of Ohio. Prior to Scout, Mr Shapiro worked at Sandbox Industries in Chicago, Illinois as a lead developer. Similar to his role at Scout, he 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, Mr Shapiro 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.
Interest in Shares and Options	☐	7,919,291 Ordinary Shares 2,000,000 Options
Special Responsibilities	☐	None
Directorships held in other listed entities during the three years prior to the current year	☐	None
■ **Mr Anthony Brown**	☐	Non-Executive Director; Independent
Qualifications	☐	GAICD
Experience	☐	Mr Brown has been involved in the electronic security industry for over 28 years, with a career that spans all facets of the security industry, from the mechanical, physical, electronic, cyber and logical areas. Mr Brown 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 Mr Brown's leadership, his organisations have delivered large multi-faceted projects, won major awards for product sales and system installations within Australia and the Asia Pacific. Mr Brown is a high-energy leader with entrepreneurial flare, excellent communication skills and a passionate commitment to professionalism at all levels of an organisation.
Interest in Shares and Options	☐	5,737,699 Ordinary Shares 2,682,543 Options 56,250 Convertible Notes
Directorships held in other listed entities during the three years prior to the current year	☐	Suvo Strategic Minerals Limited (formerly known as UltraCharge Limited) (Appointed 23 September 2019, resigned 30 July 2020)
■ **Mr Ryan McCall**	☐	Executive Director *(appointed on 1 February 2023);* Non-independent
Qualifications	☐	B.Sc, MBA
Experience	☐	Mr. McCall is an experienced business and people leader with 14 years of global cross-functional experience in consumer technology and growing teams, revenue, and profitability. He previously led the global commercial team for software, SaaS, and Data-as-a-Service at Futuremark (a subsidiary of global safety certification company UL, LLC). Prior to UL, he managed the global business development team for Avery Dennison, bringing it into the consumer electronics space and rapidly developing a multi-million dollar pipeline. Mr. McCall received his MBA from Santa Clara University, with a focus in leading organizations and entrepreneurship. He also holds a B.Sc, majoring in Materials Science Engineering from Michigan State University.
Interest in Shares and Options	☐	177,500 Ordinary Shares 5,134,032 Performance Shares
Directorships held in other listed entities during the three years prior to the current year	☐	None

Directors' report

7. Meetings of directors and committees

During the financial year, there were ten meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Daniel Roberts	10	10						
David Shapiro	10	9						
Anthony Brown	10	10						
Sol Majteles[(1)]	7	6						
Martin Pretty	10	10						
Ryan McCall[(2)]	2	2						

At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

(1) Resigned 31 December 2022
(2) Appointed 1 February 2023

8. Indemnifying officers or auditor

8.1. Indemnification

The Company has paid premiums to insure each of the current and former Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a willful breach of duty in relation to the Company.

The Company has not given any further indemnity or entered into any other agreements to indemnify or pay or agree to pay insurance premiums. No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company

8.2. Insurance premiums

The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price $	Number under Option	Vested & Exercisable
24 Jul 2020	16 Jul 2024	0.07	5,364,497	5,364,497
21 Dec 2020	31 Dec 2024	0.135	1,433,256	1,433,256
23 Dec 2020	16 Jul 2024	0.07	8,035,715	8,035,715
23 Nov 2021	16 Jul 2024	0.07	11,785,717	11,785,717
18 Feb 2022	16 Jul 2024	0.07	1,071,429	1,071,479
24 Mar 2022	18 Mar 2025	0.07	900,000	900,000
13 May 2022	21 Apr 2025	0.10	5,400,000	5,400,000
25 Oct 2022	16 July 2024	0.07	22,293,893	22,293,893
18 Nov 2022	31Jul 2026	0.07	2,300,460	2,300,460
18 Nov 2022	16 Jul 2024	0.07	14,666,667	14,666,667
18 Nov 2022	16 Jul 2024	0.07	10,000,000	10,000,000
21 Nov 2022	16 Jul 2024	0.07	833,334	833,334
9 Dec 2022	16 Jul 2024	0.07	706,077	706,077
			84,791,045	84,791,045

Directors' report

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

9.2. Shares issued on exercise of options

No ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2022: nil).

10. Non-audit services

During the year, Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**), the Company's auditor, provided non-audit services in the amount of $7,290 (2022: $1,300), in addition to their statutory audits. Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 50.

In the event that non-audit services are provided by Hall Chadwick, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

12. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Scout Security Ltd support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. For a detailed analysis of the Company's Corporate Governance Policies, visit the corporate governance section of our website at www.scoutalarm.com.

13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2023 has been received and can be found on page 17 of the annual report.

14. Remuneration report (audited)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2023. The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001 (Cth).

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report.

14.1. Key management personnel (**KMP)**

This remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether Executive or otherwise) of the parent company, and includes those Executives in the Parent and the Group receiving the highest remuneration. KMP comprise the directors of the Company and key executive personnel:

- Mr Daniel Roberts — Executive Director
- Mr Martin Pretty — Non-executive Chairman
- Mr David Shapiro — Non-executive Director
- Mr Anthony Brown — Non-executive Director
- Mr Ryan McCall — Executive Director effective 1 February 2023

14.2. Principles used to determine the nature and amount of remuneration

The objective of the Company's Executive reward framework is to ensure reward for performance is competitive and

appropriate for the results delivered.

The framework aligns Executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that Executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of Executive compensation;
(iv) transparency; and
(v) capital management.

The Company has structured an Executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

(i) focuses on sustained growth in shareholder wealth;
(vi) attracts and retains high calibre executives;
(ii) rewards capability and experience; and
(iii) provides a clear structure for earning rewards.

a. Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Company. There are no minimum or maximum amounts. There is no remuneration committee. Non-Executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. There currently is no approved remuneration limit as per the Company's constitution and will be adopted by ordinary resolution of the shareholders at the annual general meeting. The entire board is responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

b. Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages in 2023.

c. Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

Directors' report

14. Remuneration report (audited)

(1) Non-executive director remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. There are no termination or retirement benefits for non-Executive Directors (other than for superannuation for one Australian Non-Executive Director). Non-Executive Directors may be offered options as part of their remuneration, subject to shareholder approval.

The remuneration of non-executive directors for the period ended 30 June 2023 is detailed in section 14.3 of this remuneration report.

(2) Senior executive and executive director remuneration

Senior Executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

d. Non-Executive Director Remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. It is the policy of the Company to compensate Directors in share-based payments through the issue of Options and cash-based remuneration (subject to any necessary Shareholder and regulatory approvals).

(1) Service Contracts

The key terms of the Non-Executive Director letters of appointment are as follows:

- Term of agreement – ongoing subject to annual review.
- Directors' Fees – the issue of Options on initial appointment.
- There is no notice period stipulated to terminate the contract by either party.

Apart from their duties as Directors, some Non-Executive Directors may undertake work for the Company over and above the specific duties of a Non-Executive Director.

e. Executive Remuneration:

Remuneration and other terms of employment for the Executive Director and CEO are formalised in service agreements. Other major provisions of these agreements are set out below:

(1) Executive Employment Agreement (EEA) – Ryan McCall

Scout has entered into EEAs with Ryan McCall, dated 3 January 2022, pursuant to which the Company has engaged:

- Ryan McCall as Chief Executive Officer **(CEO)**

(2) Executive Employment Agreement (**EEA**) – Daniel Roberts

Scout has entered into EEAs with Daniel Roberts, updated 3 January 2022, pursuant to which the Company has engaged:

- Daniel Roberts as Chief Product Officer **(CPO)**

14. Remuneration report (audited)

The material terms and conditions of the EEAs are summarised below:

(1) **Term:** The EEAs do not contain a fixed term and will continue in force until terminated in accordance with their provisions.

(2) **Remuneration:** Ryan McCall will be paid an annual salary of US$250,000. Daniel Roberts will be paid an annual salary of US$225,000.

(3) **Incentive Programs:** Ryan McCall and Daniel Roberts will be entitled to participate in employee incentive programs offered by the Company, at the Board's discretion.

(4) **Termination:** Scout may at its sole discretion terminate the Employment in the following manner:

(i) by giving not less than one month's written notice if at any time:

(A) the Executive is or becomes incapacitated by illness or injury of any kind which prevents the Executive from performing duties under the EEA for a period of 2 consecutive months or any periods aggregating 2 months in any period of 12 months during the term of the Employment; or

(B) is or becomes of unsound mind or under the control of any committee or officer under any law relating to mental health for a period of 2 consecutive months

(ii) by giving 1 month's written notice if at any time the Executive:

(A) commits any serious or persistent breach of any of the provisions contained in the EEA and the breach is not remedied within 14 days of the receipt of written notice from Scout to the Executive to do so;

(B) in the reasonable opinion of the Board, is absent in, or demonstrates incompetence with regard to the performance of the Executive's duties under this Agreement, or is neglectful of any duties under this Agreement or otherwise does not perform all duties under the EEA in a satisfactory manner, provided that the Executive:

(I) has been counselled on at least three separate occasions of the specific matters complained of by the Board; and

(II) after each such occasion has been provided with a reasonable opportunity of at least a month to remedy the specific matters complained of by the Board;

(C) the Executive commits or becomes guilty of any gross misconduct; or

(D) refuses or neglects to comply with any lawful reasonable direction or order given to the Executive by Scout which the Executive, after receipt of prior notice, has failed to rectify to the reasonable satisfaction of Scout within 21 business days of receipt of that notice;

(iii) summarily without notice if at any time the Executive is convicted of any major criminal offence which brings Scout or any of its affiliates into lasting disrepute, by giving notice effective immediately and without payment of any salary other than salary accrued to the date of termination or breaches the insider trading provisions of the EEA; or

(iv) without reason by giving 3 months' written notice to the Executive and, at the end of that notice period, making a payment to the Executive equal to the Salary payable over a 3-month period.

The EEA contain other standard terms and conditions expected to be included in contracts of this nature.

f. Voting and comments made at the Company's Annual General Meeting (**AGM**)

At the Annual General Meeting held on 16 November 2022, the company received 6,382,156 (99.07%) Yes votes and 59,943 (.93%) Against and Nil Abstain on its remuneration report for the 2022 financial year. The Group did not employ a remuneration consultant during the year.

14.3. Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

Directors' report

14. Remuneration report (audited)

2023 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	$	$	$	$	$	$	$	$	$	$
Daniel Roberts[1]	309,841	-	-	-	-	-	-	-	18,509	328,350
David Shapiro[1]	57,913	-	-	-	-	-	-	-	18,509	76,422
Anthony Brown	49,980	-	-	-	-	-	-	-	18,509	68,489
Sol Majteles[3]	25,000	-	-	-	-	-	-	-	18,509	43,509
Martin Pretty	50,000	-	-	-	-	-	-	-	18,509	68,509
Ryan McCall[1][2]	371,238	-	-	-	-	-	-	29,131	-	400,369
	863,972	-	-	-	-	-	-	29,131	92,545	985,648

(1) Converted from USD to AUD using an average rate for the relevant period
(2) Appointment as CEO effective on 03 January 2022 and appointed as Executive Director on 01 February 2023
(3) Resigned as Non-executive Director on 31 Dec 2022

2022 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	$	$	$	$	$	$	$	$	$	$
Daniel Roberts[1]	298,067	-	-	-	-	-	-	-	-	298,067
David Shapiro[1]	44,940	-	-	-	-	-	-	-	-	44,940
Anthony Brown	49,980	-	-	13,559	-	-	-	-	-	63,539
Sol Majteles[2]	45,662	-	-	-	4,433	-	-	-	-	50,095
Martin Pretty	50,000	-	-	-	-	-	-	-	-	50,000
Ryan McCall[1][3]	165,593	-	-	-	-	-	-	-	-	165,593
	654,242	-	-	13,559	4,433	-	-	-	-	672,234

(1) Converted from USD to AUD using an average rate for the relevant period
(2) Resigned as Non-executive Director on 31 Dec 2022
(3) Appointed as CEO effective on 03 January 2022. Appointed as Executive Director on 01 February 2023

14.4. Share-based compensation

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders. At present the Group does not have an employee share option plan.

Directors were issued 10,000,000 options as share-based compensation during the year (2022: nil)

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

a. Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

14. Remuneration report (audited)

14.5. KMP equity holdings

a. Fully paid ordinary shares of Scout Security Limited held by each KMP

The number of ordinary shares of Scout Security Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2023 is as follows

2023 – Group *Group KMP*	Balance at start of year/ appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Daniel Roberts	9,900,541	-	-	-	9,900,541
David Shapiro	7,919,291	-	-	-	7,919,291
Anthony Brown	4,537,699	-	-	1,200,000	5,737,699
Martin Pretty	2,523,101	-	-	4,666,396	7,189,497
Ryan McCall(1)	-	-	-	177,500(2)	177,500
Sol Majteles(3)	1,457,143	-	-	666,600	2,123,743
	26,337,775	-	-	6,710,496	33,048,271

(1) Appointed as CEO effective on 03 January 2022 and Executive Director on 01 February 2023
(2) Performance shares converted
(3) Resigned as Non-executive Director on 31 Dec 2022

b. Options in Scout Security Limited held by each KMP

The number of options over ordinary shares in Scout Security Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2023 is as follows:

2023 – Group *Group KMP*	Balance at start of year/ appointment No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
Daniel Roberts	-	2,000,000	-	-	2,000,000	2,000,000	-
David Shapiro	-	2,000,000	-	-	2,000,000	2,000,000	-
Anthony Brown	682,543	2,000,000	-	-	2,682,543	2,682,543	-
Martin Pretty	1,550,086	2,000,000	-	2,166,665	5,716,751	5,716,751	-
Ryan McCall	-	-	-	-	-	-	-
Sol Majteles	-	2,000,000	-	-	2,000,000	2,000,000	-
	2,232,629	10,000,000	-	2,166,665	14,399,294	14,399,294	-

c. Performance Shares of Scout Security Limited held by each KMP

2023 – Group *Group KMP*	Balance at start of year/ appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Daniel Roberts	4,500,000	-	-	(4,500,000)(1)	-
David Shapiro	-	-	-	-	-
Anthony Brown	-	-	-	-	-
Martin Pretty	-	-	-	-	-
Ryan McCall	-	5,311,532	-	(177,500)	5,134,032
Sol Majteles(3)	-	-	-	-	-
	4,500,000	5,311,532	-	(4,677,500)	5,134,032

(1) Performance shares expired.

Directors' report

14. Remuneration report (audited)

i. 4,601,532 Performance Shares were approved at the Annual General Meeting held on 16 November 2022 to Mr Ryan McCall which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below.

Additionally, 710,000 Performance shares were approved for Mr. Ryan McCall subject to the company's vesting schedule for tenure with no additional performance milestone.

Class of Performance Right	Performance Condition	Performance rights No.	Vesting conditions	Expiry Date	Performance Condition Satisfied
A	Upon achievement of a 90 day VWAP of 7 cents based upon shares traded on ASX over any period between allotment of the rights and 16 July 2024	1,150,383	Market vesting	16 July 2024	No
B	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,150,383	Market vesting	30 June 2025	No
C	Upon the releasing of audited Financial Statements by the company evidencing NPAT of at least A$2,000,000 in any one of the FY23, FY24 or FY25	1,150,383	Non-Market Vesting	30 June 2025	No
D	Upon the Company reporting recurring monthly revenue (excluding development, hardware sales or other one-off revenue) that exceeds expenses for any 3-month period prior to 30 June 2024	1,150,383	Non-Market Vesting	30 June 2023	No
Service	Upon tenure milestones	710,000	Non-Market Vesting	1 January 2025	Yes[1]

1. 177,500 Performance Shares converted into 177,500 Ordinary Fully Paid Shares upon satisfaction and achievement of the tenure milestone.

14.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

14.7. Loans from KMP

2023 – Group *Group KMP*	Balance at start of year $	Made during the year $	Repaid during the year $	Interest Paid $	Balance at end of year $
Daniel Roberts	-	123,461	-	2,469	123,461
David Shapiro	-	-	-	-	-
Anthony Brown	-	-	-	-	-
Martin Pretty	-	37,000	10,000	544	27,000
Ryan McCall	-	137,144	-	2,743	137,144
	-	297,605	10,000	5,756	287,605

The loans from KMP are part of a larger facility detailed in note 5.7.4, and fall under the same terms as all debt holders in that facility.

14.8. Other transactions with KMP and or their Related Parties

There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

Martin Pretty

MARTIN PRETTY
Non-Executive Chairman
Dated this Wednesday, 30 August 2023

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the audit of the financial statements of Scout Security Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated this 30th day of August 2023
Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2023

	Note	2023 $	2022 $
Continuing operations			
Revenue	1.1	1,658,638	4,310,127
Cost of sales		(996,940)	(2,333,587)
		661,698	1,976,540
Other income	1.2	22,262	132,937
Consultancy and professional fees		(480,832)	(1,195,579)
Depreciation and amortisation		-	-
Employment costs	2.1	(2,945,852)	(2,250,091)
Finance costs		(865,825)	(783,442)
Information technology costs		(108,257)	(300,017)
Occupancy costs		(146,924)	(128,456)
Share-based payments expense	19	28,173	(16,058)
Sales and marketing		(61,506)	(80,663)
Shipping and postage		(183,811)	(37,134)
Travel and accommodation		(71,455)	(121,345)
Other expenses		(390,033)	(485,616)
Loss before tax		(4,542,362)	(3,288,924)
Income tax expense	4.1	-	-
Net loss for the year		(4,542,362)	(3,288,924)
Other comprehensive income, net of income tax			
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		(60,540)	154,216
Other comprehensive income for the period, net of tax		(60,540)	154,216
Total comprehensive income attributable to members of the parent entity		(4,602,902)	(3,134,708)
Earnings per share:		¢	¢
Basic loss per share (cents per share)	18.4	(2.18)	(2.17)
Diluted loss per share (cents per share)	18.4	N/A	N/A

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2023

	Note	2023 $	2022 $
Current assets			
Cash and cash equivalents	5.1	1,052,421	236,863
Trade and other receivables	5.2	37,869	505,504
Inventories	6.1	399,300	475,378
Other current assets	5.3	45,327	45,607
Total current assets		1,534,917	1,263,352
Non-current assets			
Financial assets	5.4	220,079	694,046
Total non-current assets		220,079	694,046
Total assets		1,754,996	1,957,398
Current liabilities			
Trade and other payables	5.5.1	1,530,970	1,556,721
Borrowings	5.5.2	1,838,885	422,812
Unearned revenues	5.6	137,647	148,132
Financial liabilities	5.8	384,375	-
Total current liabilities		3,891,877	2,127,665
Non-current liabilities			
Borrowings	5.7	2,355,237	1,883,167
Financial liabilities	5.8	-	384,375
Total non-current liabilities		2,355,237	2,267,542
Total liabilities		6,247,114	4,395,207
Net liabilities		(4,492,118)	(2,437,809)
Equity			
Issued capital	7.1	18,223,976	16,065,022
Reserves	7.4	5,947,694	5,618,595
Accumulated losses		(28,663,788)	(24,121,426)
Total equity		(4,492,118)	(2,437,809)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2023

	Note	Contributed equity $	Foreign Currency Translation Reserve $	Share-based Payments Reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2021		15,413,387	150,096	5,209,020	(20,832,502)	(59,999)
Loss for the year attributable owners of the parent		-	-	-	(3,288,924)	(3,288,924)
Other comprehensive income for the year attributable owners of the parent		-	154,216	-	-	154,216
Total comprehensive income for the year attributable owners of the parent		-	154,216	-	(3,288,924)	(3,134,708)
Transaction with owners, directly in equity						
Shares issued during the year (net of costs)	7.1	651,635	-	-	-	651,635
Options granted during the year	7.3	-	-	439,616	-	439,616
Performance shares	7.2	-	-	(334,353)	-	(334,353)
Balance at 30 June 2022		16,065,022	304,312	5,314,283	(24,121,426)	(2,437,809)
Balance at 1 July 2022		16,065,022	304,312	5,314,283	(24,121,426)	(2,437,809)
Loss for the year attributable owners of the parent		-	-	-	(4,542,362)	(4,542,363)
Other comprehensive income for the year attributable owners of the parent		-	(60,540)	-	-	(60,540)
Total comprehensive income for the year attributable owners of the parent		-	(60,540)	-	(4,542,262)	(4,602,902)
Transaction with owners, directly in equity						
Shares issued during the year (net of costs)	7.1	2,150,753	-	-	-	2,150,753
Options granted during the year	7.3	-	-	131,192	-	131,191
Warrants Issued during the year	7.4			387,366	-	387,366
Performance shares	7.2	8,201	-	(128,919)	-	(120,717)
Balance at 30 June 2023		18,223,976	243,772	5,703,922	(28,663,788)	(4,492,118)

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		1,718,346	2,302,218
Payments to suppliers and employees		(5,021,880)	(6,042,969)
Interest received		-	13,219
Finance costs		(138,769)	(28,420)
Net cash used in operating activities	5.1.2.1	(3,442,303)	(3,755,952)
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	7.1	2,309,999	200,000
Payments for capital raising costs		(120,600)	(12,558)
Proceeds from convertible debt securities		-	875,410
Proceeds of borrowings		2,129,222	954,019
Repayment of borrowings		(68,429)	-
Government grants		-	-
Net cash provided by financing activities		4,250,192	2,016,871
Net increase / (decrease) in cash and cash equivalents held		807,889	(1,739,081)
Cash and cash equivalents at the beginning of the year		236,863	1,902,575
Change in foreign currency held		7,669	73,369
Cash and cash equivalents at the end of the year	5.1	1,052,421	236,863

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements
for the year ended 30 June 2023

In preparing the 2023 financial statements, Scout Security Limited has grouped notes into sections under five key categories:

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The presentation of the notes to the financial statements is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 Presentation of Financial Statements which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the consolidated financial statements
for the year ended 30 June 2023

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) *accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.*

(b) *analysis and sub-totals.*

(c) *information about estimates and judgements made in relation to particular items.*

Note 1.	Revenue and other income	2023 $	2022 $
1.1	**Revenue**		
	Product sales	138,917	2,645,313
	Subscription revenues	1,052,622	955,678
	Development fees	467,099	111,815
	Licensing and support fees	-	597,321
		1,658,638	4,310,127
1.2	**Other Income**		
	Interest income	-	13,219
	Other	22,262	119,718
		22,262	132,937

1.3 Accounting policy

1.3.1 ***Revenue from contracts with customers***

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and Step

5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes to the consolidated financial statements

for the year ended 30 June 2023

Note 1 Revenue and other income (cont.)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

1.3.2 ***Revenue from sale of goods and development fees and licensing fees***

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of that asset. Revenue is recognised when the goods are shipped to the customer.

1.3.3 ***Revenue from rendering of services***

Revenue from the monitoring services (subscriptions) is recognised over time, as the customer simultaneously receives and consumes the services performed by the Group (i.e. monitoring of the alarm system by Scout Security).

1.3.4 ***Interest income***

Interest revenue is recognised in accordance with Note 3.1 Finance income and expenses.

Note 2. Loss before income tax

	2023 $	2022 $
The following significant revenue and expense items are relevant in explaining the financial performance:		
2.1. Employment costs		
■ Salary and wages	2,788,042	2,100,015
■ Director Fees	157,810	145,642
■ Superannuation	-	4,433
	2,945,852	2,250,091

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 2 Loss before income tax (cont.)

2.1.1. ***Accounting policy***

2.1.1. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

2.1.2. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

2.1.3. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

2.1.4. Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

2.1.5. Equity-settled compensation

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Note 3. Other Significant Accounting Policies related to items of profit and loss

3.1. **Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 4. Income tax		2023 $	2022 $
4.1. Income tax expense			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
■ Increase / (decrease) in deferred tax assets	4.6	-	-
■ (Increase) / decrease in deferred tax liabilities		-	-
		-	-
4.2. Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Accounting loss before tax		(4,542,362)	(3,288,924)
Prima facie tax on operating loss at 25% (2022: 25%)		(1,135,591)	(822,228)
Add / (Less) tax effect of:			
□ Difference in overseas jurisdictions tax rate		(169,725)	(104,994)
□ Non-deductible expenses		312,545	347,247
□ Timing differences			
□ Deferred tax asset not brought to account		992,771	579,974
Income tax expense/(benefit) attributable to operating loss		-	-
		%	%
4.3. The applicable weighted average effective tax rates attributable to operating profit are as follows:		-	-

4.3.1.1. The tax rates used in the above reconciliations is the corporate tax rate of 25% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.

4.3.1.2. The US entity tax rate is a blend of the federal and state taxes at 21% and 9.5% respectively. The US corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 4	Income tax (cont.)	2023 $	2022 $
4.4.	Balance of franking account at year end of the parent	nil	nil
4.5.	**Current tax liabilities**		
	Foreign Income tax payable	-	-
		-	-
4.6.	**Deferred tax assets**		
	Tax losses	-	-
		-	-
	Net deferred tax assets	-	-
4.7.	**Tax losses and deductible temporary differences**		
	Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■ Revenue losses attributable to Australia	198,768	187,803
	■ Revenue losses attributable to foreign subsidiaries	1,708,822	1,372,026
	■ Deductible temporary differences	2,888	13,854
		1,910,478	1,573,683

4.8. Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2023 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of $795,074 (2022: $751,210) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 4 Income tax (cont.)

4.9. Accounting policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date, in each jurisdiction.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Scout Security Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5. Financial assets and financial liabilities

5.1. Cash and cash equivalents	2023 $	2022 $
Cash at bank	1,052,421	236,863
	1,052,421	236,863

5.1.1. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

5.1.2. *Cash Flow Information*	2023 $	2022 $
5.1.2.1. **Reconciliation of cash flow from operations to loss after income tax**		
Loss after income tax	(4,542,362)	(3,288,924)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss from ordinary activities:		
■ Depreciation and amortisation	-	-
■ Foreign exchange loss	-	-
■ Net share-based payments expensed	(28,173)	16,058
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
■ Decrease in inventories	94,649	63,598
■ Increase in prepayments and other receivables	487,835	(268,772)
■ Increase in trade and other payables	562,020	1,060,576
■ Increase in unearned revenue	(16,272)	(1,338,488)
Cash flow (used in) from operations	(3,442,304)	(3,755,952)

5.1.2.2. **Credit and loan standby arrangement with banks**

The Group has no credit standby facilities.

5.1.2.3. **Non-cash investing and financing activities**

2023

During the year, and as detailed in in Note 7.1:

- 76,999,998 ordinary shares issued in connection with a Placement and Rights Issue @ $0.03 per share.
- $2,129,222 Proceeds from new Loan facility

2022

During the year, and as detailed in in Note 7.1:

- 1,071,429 ordinary shares issued in connection with the conversion of convertible debt securities @ $0.07 per share.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

5.1.3. *Reconciliation of liabilities arising from financing activities*

	Note	2021 $	Cash flows $	Non-cash changes Acquisitions $	Foreign Exchange $	Other Changes $	2022 $
Convertible notes – face value	5.7.2	712,500	875,410	-	-	(50,410)	1,537,500
Secured debt – April 2022	5.7.3	-	536,337	-	-	(128,170)	408,167
ERC Payable-current	5.5.2	-	360,312	-	-	-	360,312
Total liabilities from financing activities		712,500	1,772,059	-	-	(178,580)	2,305,979

	Note	2022 $	Cash flows $	Non-cash changes Acquisitions $	Foreign Exchange $	Other Changes $	2023 $
Convertible notes – face value	5.7.2	1,537,500	-	-	-	-	1,537,500
Secured debt –April 2022	5.7.3	408,167	-	-	-	(408,167)	-
Secured debt – April 2023	5.7.4	-	2,129,222	-	-	-	2,129,222
ERC Payable-current	5.5.2	360,312	-	-	-	-	360,312
Total liabilities from financing activities		2,305,979	2,129,222	-	-	(408,167)	4,027,034

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.2. Trade and other receivables	Note	2023 $	2022 $
5.2.1. *Current*			
Trade receivable	5.2.3	37,869	105,157
ERC receivable	5.2.4	-	400,347
		37,869	505,504

5.2.2. The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3. The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods and rendering of services, determined by reference to past default experience. Amounts are considered as past due when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

5.2.4. **Employee Retention Credits**: As part of the US Government Coronavirus Aid, Relief, and Economic Security Act, the Company qualifies for US$275,798.91 in US Government credits, payable at which point the US Government Internal Revenue Service processes the refund. ERC payment from Government was received in FY2023.

ERC credit was in turn secured against an investor loan. See note. 5.5.2

5.2.5. ***Accounting policy***

Trade receivables are generally due for settlement within periods ranging from 30 to 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 5.9.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

5.3. Other assets	2023 $	2022 $
5.3.1. *Current*		
Deposits	-	-
Other current assets	45,327	45,607
	45,327	45,607

Notes to the consolidated financial statements

for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.4. Financial assets	2023 $	2022 $
5.4.1. *Current*		
Convertible notes – transaction costs		
Facilities, broker and investors Options	1,523,334	1,523,334
Fees	70,000	70,000
Convertible note – Embedded Derivative at initial recognition	793,190	793,190
Unwound during the period	(2,166,445)	(1,692,478)
	220,079	694,046

5.4.2. The transaction costs were incurred in relation to the raising of funds under the convertible note facility (note 5.7.2). These costs are required to be offset against the convertible note liability and amortised over the term of the convertible note and are treated as finance costs in profit or loss.

5.5. Trade and other payables	2023 $	2022 $
5.5.1. *Current*		
Unsecured		
Trade payables	454,437	930,755
Accruals and other payables	1,076,533	625,966
	1,530,970	1,556,721

5.5.2 Borrowings	Note	2023 $	2022 $
Current			
Borrowing- ERC Payable	5.5.2.1	301,659	360,312
Convertible Note-face value	5.5.2.2	1,475,000	62,500
Borrowing - Stripe Loan	5.5.2.3	62,226	-
		1,838,885	422,812

5.5.2.1 On 27 May 2022, the Company entered into an agreement to sell their US Government owed Employee Retention Credit (“ERC”) to a group comprising off CEO Ryan McCall, Co-Founder Dan Roberts, and other parties. The Company will receive US$248,219.02 in return of the sale of the rights of the ERC. The key features of the sale are summarized below:

- **Employee Retention Credits:** As part of the US Government Coronavirus Aid, Relief, and Economic Security Act, the Company qualifies for US$275,798.91 in US Government credits, payable at which point the US Government Internal Revenue Service processes the refund.
- **Purchase Price:** The parties combined have purchased the ERC from the Company at a discount of 10% to the full amount for a total of US$248,219.02
- **Interest:** The Company will pay the purchasers 1% interest per month of the value of the credits if the US Government takes longer than 1 year from the date of the purchase to pay the ERC

5.5.2.2 See note 5.7 regarding Convertible Note details.

Notes to the consolidated financial statements

for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.5.2.3 On 16 April 2023, the Company entered into an agreement with credit-card processing company Stripe to receive a loan in the amount of $56,800 USD. Terms of the loan include a flat fee of $4,544 USD, for a total repayment amount of $61,355 USD. Additional terms include repayment of 25% per recurring transaction with a 60-day minimum repayment of of $6,816 USD. Balance at 30 June 2023 is $41,256 USD.

5.5.3 Trade payables are non-interest bearing and are normally settled on 30-day payables, terms. Other payables are non-trade are non-interest bearing and have an average term of 1 month.

5.5.4 ***Accounting policy***

5.5.4.1. **Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

5.6. **Unearned revenues**	2023 $	2022 $
5.6.1. ***Current***		
Unsecured		
Unearned revenues	137,647	148,132
	137,647	148,132

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.7. **Borrowings**	Note	2023 $	2022 $
5.7.1. ***Non-current***			
Convertible notes – face value	5.7.2	-	1,475,000
Secured Debt (April 2022)	5.7.3	-	408,167
Secured Debt (April 2023)	5.7.4	2,355,237	-
		2,355,237	1,883,167

5.7.2

On 16 July 2020, the Company has entered into a Convertible Note Deed ("Note") with clients of Gleneagle Securities (Aust) Pty Limited ("Gleneagle") and existing shareholders of the Company, to raise up to $2 million.

The investors in the Note include institutional and sophisticated investors. The key features of the Note are summarised below:

- **Term:** The term of the Note is 2 years.
- **Conversion:** Each Note may be converted into one fully paid ordinary share in the capital of the Company at the Conversion Price (below).
- **Conversion Price**: The conversion price of the Note will be the lower of:
  - 7c (which is a 40% premium to Scout's last traded price of 5c) and;
  - a 20% discount to any future equity issuance by the Company, subject to a floor price of 3c.
- **Variation to Conversion Price**: In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the conversion price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place investors in substantially the same position as they would have been had no such event occurred.
- **Facility Options**: In consideration for participation in the Note, Investors will be paid a Facility Fee in the form of 2,980,276 Options (issued proportionate to their individual investment).
- **Initial Instalment**: Scout will draw $750,000 in an Initial Instalment at completion:
  - In consideration for participation in the Initial Instalment, Investors will be issued a total of 8,035,715 Options (proportionate to their investment in the Initial Instalment), Shareholders approved the issue at the Annual General Meeting held on 23 December 2020.
  - The Investors will have the right to convert the Initial Instalment at any time.
- Subsequent Instalments: Scout may draw, but is under no obligation to draw, Subsequent Instalments totalling $1.25 million. Until such time as Scout elects to draw a Subsequent Instalment, Scout will be under no obligation to issue any securities beyond those issued to investors under the Initial Instalment and will not be penalized in any way should it elect not to draw any Subsequent Instalment.
  - It is a condition precedent to Scout electing to draw a Subsequent Instalment that it has sufficient placement capacity at the time the drawing is made to issue the Subsequent Instalment, including all shares and options to be issued in connection with the Subsequent Instalment.
  - Subsequent Instalments may be drawn monthly on 21 days' notice in instalments of either $250,000 or $500,000, subject to Scout's share price being greater than 80% of the conversion price (determined based on the conversion price as at the date of the drawdown request and the proposed issue date of the Note, respectively).
  - In consideration for participation a Subsequent Instalment, Investors will be issued a number of Options proportionate to their investment, calculated on the basis that 2 Options will be issued for the equivalent of 1 converted share, with the potential of issuing a total of 35,714,286 Options.

  The Company may elect to redeem any Subsequent Instalments ahead of any conversion rights.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.7 Borrowings (5.7.2 cont.)

- **Interest**: Interest of 5% p.a. is payable on drawn funds, accruing daily and payable quarterly.
- **Gleneagle Fee**: A further 2,384,221 Options will be issued to Gleneagle and supporting brokers as part of their fee.
- **Option terms**: All Options in the transaction will be exercisable at 7c and will expire on 16 July 2024.
- **Subsequent Draw**: On 19 November 2021 the Company elected to draw down a $450,000 subsequent installment of the $2,000,000 convertible note. In consideration for participating in the the subsequent instalment, convertible note investors will be issued a total of 14,285,717 options with a strike price of 7 cents and an expiry date of 16 July 2024.
- **New Note and Expiry Extension:** On 23 December 2021, the Company has entered into a Convertible Note Deed ("Note") with institutional and sophisticated investors to raise $450,000. Under the facility, the company reached agreement with holders of 94% of the Note dated 16 July 2020 to extend the maturity date of their notes from 16 July 2022 to 31 December 2023. The maturity date of the remaining $62,500 of the Note remains unchanged at 16 July 2022.
- The terms of the Notes dated 16 July 2020 and 23 December 2021 otherwise remain unchanged from the original terms outlined in the Notes dated 16 July 2020.
- In FY2023, Notes were reclassed from non-current to current liabilities.

5.7.3. On 13 April 2022, the Company entered into a secured debt deed of loan ("Deed") with Adaptive Income Fund, LP to raise US$400,000. The key features of the Deed are summarized below:

- **Term:** The term of the deed is 2 years with a minimum of 90 days, after which the facility can be repaid in whole or part, on 30 days' notice, without penalty.
- **Interest:** The interest rate will be fixed at 7.0% per annum, calculated and payable quarterly. In the event of default by the Company, a default margin of 8.0% will be added.
- **Deed Options:** In consideration for participation in the Deed, investors will be granted 5,400,000 options to acquire shares in the company at strike price of $0.10 and an expiration date 3 years from issuance.
- This loan rolled over into the new April 2023 loan facility detailed in 5.7.4.

5.7.4. On 28 April 2023, the Company entered into a secured debt deed of loan ("Deed") with a syndicate of primarily US-based investors to raise up to USD$4 million. As of June 30, 2023, $2,721,275 had been raised. New funds raised total $1,762,687 and rollover of existing loans total $958,588. After Warrant reserve and amortization, loan balance at 30 June 2023 was $2,355,237.

- **Term:** The term of the deed is 5 years with a minimum of 90 days, after which the facility can be repaid in whole or part, on 10 days' notice, with a 1% pre-payment fee being paid in respect of such amount of the Principal Sum as is prepaid.
- **Interest:** The interest rate will be fixed at 12% per annum, payable monthly.
- **Deed Warrants:** In consideration for participation in the Deed, investors will be granted fifteen (15) Initial Warrants for each US$1.00 value of Loan note issued to the Lender at strike price of $0.05 and an expiration date 3 years from issuance. At 30 June 2023, Warrants were valued at $387,366 of which $21,328 was amortized for the period through 30 June 2023.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

Accounting policy

5.7.4.1. **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

5.8. Financial liabilities	2023 $	2022 $
5.8.1. *Non-current*		
Convertible note – Embedded Derivative liability	-	384,375
	-	384,375

5.8.2 *Current*	2023 $	2022 $
Convertible note – Embedded Derivative liability	384,375	-
	384,375	-

5.8.3. On 16 July 2020, the Company has entered into a Convertible Note Deed (Note 5.7.2). On application of AASB 9 Financial Instruments the Group accounts for convertible security financing on a fair value basis. As the terms of the conversion feature was not fixed for fixed number of shares, the conversion feature was deemed to be an embedded derivative liability. On initial recognition the fair value of the conversion rights granted was included in the transaction costs as detailed in note 5.4. The conversion rights will be recognised as equity on the extinguishment of the convertible note for shares if exercised, otherwise they will be recouped in profit or loss if not converted.

Note 5 Financial assets and financial liabilities (cont.)

5.9. Other Significant Accounting Policies related to Financial Assets and Liabilities

5.9.1. *Investments and other financial assets*

5.9.1.1. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

5.9.1.2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

5.9.1.3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

5.9.1.3.1. *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

5.9.1.3.2. **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 5 Financial assets and financial liabilities (cont.)

5.9. Other Significant Accounting Policies related to Financial Assets and Liabilities

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

5.9.1.4. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6. Non-financial assets and financial liabilities

6.1. Inventories

	2023 $	2022 $
Finished goods	399,300	475,378
Components	-	-
	399,300	475,378

6.1.1. *Accounting policy*

Inventories are valued at the lower of cost and net realisable value on a *first-in, first-out* (**FIFO**) basis. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Finished goods - purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

6.2. Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

6.2.1. *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 4.9) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 7. Equity

7.1. Issued capital

	Note	2023 No.	2022 No.	2023 $	2022 $
Fully paid ordinary shares at no par value		230,668,020	153,394,650	18,223,976	16,065,022
7.1.1. *Ordinary shares*					
At the beginning of the year		153,394,650	145,672,677	16,065,022	15,413,387
Shares issued during the year:					
■ Conversion of Employee Performance shares			2,610,066		201,830
■ Conversion of performance shares			1,500,000		138,900
■ Conversion of convertible debt securities @ $0.07 per share			1,071,429		75,000
■ Directors Placement @ $0.088			2,285,716		200,000
■ Embedded derivative component on conversion of convertible debt			-		26,224
■ Conversion of employee performance Shares			254,762		9,681
■ Placement at $0.03 per share		32,666,664	-	980,000	-
■ Rights issue and shortfall of Rights issue at $0.03 per share		44,333,334		1,330,000	-
■ Conversion of employee performance shares		273,372		8,201	
Transaction costs relating to share issues					
■ Cash		-	-	(120,599)	-
■ Equity based		-	-	(38,648)	-
At end of the year		230,668,020	153,394,650	18,223,976	16,065,022

7.1.2. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

7.1.3. ***Accounting policy***

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Note 7 Equity (cont.)

7.2. Performance shares

	Note	2023 No.	2022 No.	2023 $	2022 $
		6,052,820	5,514,660	156,881	285,827
Performance shares At the beginning of the period		5,514,660	44,808,751	285,827	620,180
Performance shares movement during the year:					
■ Issued	19.2.1	5,311,532	1,070,737	41,282	16,058
■ Fair Value Adjustments		-	-	-	-
■ Lapsed		(4,500,000)	(36,000,000)	(162,000)	-
■ Converted to ordinary shares		(273,372)	(4,364,828)	(8,201)	(350,411)
At end of the year		6,052,820	5,514,660	156,908	285,827

7.3. Options

	Note	2023 No.	2022 No.	2023 $	2022 $
		84,791,045	33,990,614	5,159,648	5,028,456
Options and performance shares At the beginning of the period		33,990,614	14,833,468	5,028,456	4,588,840
Options issued/(lapsed) during the year:					
■ Options lapsed		-	-	-	-
■ Issue of facility options		-	11,785,717	-	262,821
■ Issue of facility options		-	1,071,429	-	21,000
■ Issue of investor options		-	900,000	-	19,440
■ Issue of options		-	5,400,000	-	136,355
■ Issue of options[1]	19.2.2.1	38,499,971		-	
■ Issue of brokers options	19.2.2.2	2,300,460		38,648	
■ Issue of director options	19.2.2.3	10,000,000		92,544	
At end of the year		84,791,045	33,990,614	5,159,648	5,028,456

[1] Issued as free attaching options

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 7. Equity (con)

7.4. Reserves

		2023 $	2022 $
Foreign currency translation reserve	7.4.1	243,772	304,312
Share-based payment reserve	7.4.2	5,316,556	5,314,283
Warrant reserve	7.4.3	387,366	-
		5,947,694	5,618,595

7.4.1. ***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

7.4.2. ***Share-based payment reserve***

The share-based payment reserve records the value of options and performance shares issued the Company to its employees or consultants.

7.4.3. ***Warrant reserve***

The warrant reserve records the value of warrants issued the Company to its Lenders as part of the debt facility detailed in 5.7.4.

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 8. Financial risk management

8.1. Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2023 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2022 Total $
Financial Assets								
☐ Cash and cash equivalents	1,052,421	-	-	1,052,421	236,863	-	-	236,863
☐ Trade and other receivables	-	-	37,869	37,869	-	-	505,504	505,504
☐ Other assets	-	-	45,327	45,327	-	-	45,607	45,607
☐ Financial assets	-	-	220,079	220,079	-	-	694,046	694,046
Total Financial Assets	1,052,421	-	303,275	1,355,696	236,863	-	1,245,157	1,482,020
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	1,530,970	1,530,970	-	-	1,556,721	1,556,721
☐ Borrowings	-	4,194,122	-	4,194,122	-	2,305,979	-	2,305,979
☐ Financial liabilities	-	-	384,375	384,375	-	-	384,375	384,375
Total Financial Liabilities	-	4,194,122	1,915,345	6,109,467	-	2,305,979	1,941,096	4,247,075
Net Financial Assets / (Liabilities)	1,052,421	(4,194,122)	(1,612,070)	(4,753,771)	236,863	(2,305,979)	(695,939)	(2,765,055)

8.2. Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Note 8 Financial risk management (cont.)

8.2.1. ***Credit risk***

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

- *Credit risk exposures*

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, wherever possible.

8.2.2. ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group’s ability to raise equity funding in the market is paramount in this regard.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 8 Financial risk management (cont.)

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position.

- *Contractual Maturities*

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Financial liabilities due for payment						
Trade and other payables	1,530,970	1,556,721	-	-	1,530,970	1,556,721
Borrowings	1,838,885	422,812	2,355,237	1,883,167	4,194,122	2,305,979
Financial Liabilities	384,375	-	-	384,375	384,375	384,375
Total contractual outflows	3,754,230	1,979,533	2,355,237	2,267,542	6,109,467	3,856,231
Financial assets						
Cash and cash equivalents	1,052,421	236,863	-	-	1,052,421	236,863
Trade and other receivables	37,869	505,504	-	-	37,869	505,504
Total anticipated inflows	1,090,290	742,367	-	-	1,090,290	742,367
Net (outflow) / inflow on financial instruments	(2,663,940)	(1,237,166)	(2,355,237)	(2,267,542)	(5,019,177)	(3,504,708)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

8.2.3. ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

8.2.3.1. **Interest rate risk**

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 8 Financial risk management (cont.)

The Company and the Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

8.2.3.2. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. As a result of significant operations in the United States, the Group's Consolidated Statement of Financial Position can be affected significantly by movements in the US Dollar to Australian dollar exchange rates.

8.2.3.3. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

8.2.4. Sensitivity Analyses

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

8.2.4.1. **Interest rates**	Profit $	Equity $
Year ended 30 June 2023		
±100 basis points change in interest rates	± 10,524	± 10,524
Year ended 30 June 2022		
±100 basis points change in interest rates	± 2,369	± 2,369

8.2.4.2. **Foreign exchange**	Profit $	Equity $
Year ended 30 June 2023		
±10% of Australian dollar strengthening/weakening against the United States dollar	± 301,172	± 2,732
Year ended 30 June 2022		
±10% of Australian dollar strengthening/weakening against the United States dollar	± 173,544	± 16,682

8.2.5. *Net Fair Values*

8.2.5.1. Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 8 Financial risk management (cont.)

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 9. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

The working capital position of the Group was as follows:

	Note	2023 $	2022 $
Cash and cash equivalents	5.1	1,052,421	236,863
Trade and other receivables	5.2	37,869	505,504
Inventories	6.1	399,300	475,378
Other current assets	5.3	45,327	45,607
Trade and other payables	5.5.1	(1,530,970)	(1,556,721)
Unearned revenues	5.6	(137,647)	(148,132)
Borrowings - Current	5.5.2	(1,838,885)	(422,812)
Working capital position		(1,972,585)	(864,313)

Notes to the consolidated financial statements
for the year ended 30 June 2023

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

(a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation

(b) transactions with non-controlling interests, and

(c) interests in joint operations.

A list of significant subsidiaries is provided in note 10. This note also discloses details about the Group's equity accounted investments.

Note 10. Interest in subsidiaries

10.1. Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiaries country of incorporation is also its principal place of business:

	Country of Incorporation	Class of Shares	Percentage Owned	
			2023	2022
■ Scout Security Inc	USA	Ordinary	100.0	100.0

Note 11. Other Significant Accounting Policies related to Group Structure

11.1. Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

11.1.1. *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 11 Other Significant Accounting Policies related to Group Structure

11.1.2. ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

11.1.3. ***Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

11.1.4. ***Transactions eliminated on consolidation***

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2023

SECTION D. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 12. Commitments

There are no commitments as at 30 June 2023 (2022: Nil).

Note 13. Events subsequent to reporting date

- On 17 July 2023 loan re-payment was made of $150,829 to Borrowing in noted in 5.5.2.1.
- On 17 August 2023 loan re-payment was made of $150,829 to borrowing noted in 5.5.2.1; fully extinguishing that debt
- On 18 July 2023 received USD$100,000 as part of the new loan facility detailed in 5.7.4
- On 03 August 2023 received USD$100,000 as part of the new loan facility detailed in 5.7.4
- On 16 August 2023 received USD$20,000 as part of the new loan facility detailed in 5.7.4

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Note 14. Contingent liabilities

There are no other contingent liabilities as at 30 June 2023 (2022: Nil).

Notes to the consolidated financial statements
for the year ended 30 June 2023

SECTION E. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 15. Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

- Mr Daniel Roberts — Executive Director
- Mr David Shapiro — Non-executive Director
- Mr Anthony Brown — Non-executive Director
- Mr Martin Pretty — Non-executive Director
- Mr Ryan McCall — Chief Executive Officer; Executive Director as of 01 Februrary 2023

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 13.

	2023 $	2022 $
Short-term employee benefits	863,972	667,801
Post-employment benefits	-	4,433
Share-based payments	121,676	-
Total	985,648	672,234

Note 16. Related party transactions

There are no other related party transactions other than those payments to Directors as disclosed in the remuneration report.

Note 17. Auditor's remuneration

	2023 $	2022 $
Remuneration of the auditor for:		
■ Auditing or reviewing the financial reports:		
☐ Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**)	61,040	50,500
	61,040	50,500

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 18. Earnings per share (EPS)	Note	2023 $	2022 $
18.1. Reconciliation of earnings to profit or loss			
Loss for the year		(4,542,362)	(3,288,924)
Less: loss attributable to non-controlling equity interest		-	-
Loss used in the calculation of basic and diluted EPS		(4,542,362)	(3,288,924)
		2023 No.	**2022 No.**
18.2. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		208,071,167	151,443,657
Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		208,071,167	151,443,657
18.4. Earnings per share		**2023 ₵**	**2022 ₵**
Basic EPS (cents per share)	18.5	(2.18)	(2.17)
Diluted EPS (cents per share)	18.5	N/A	N/A

18.5. As at 30 June 2023, the Group has 84,791,045 unissued shares under options (2022: 33,990,614) and 6,052,820 performance shares on issue (2022: 5,514,660). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note 19. Share-based payments	Note	2023 $	2022 $
19.1. Share-based payments:			
▪ Recognised in profit and loss	19.2.1	(28,173)	16,058
▪ Recognised in equity (transaction costs)		38,647	-
▪ Recognised in financial assets	19.2.2	387,366	439,616
▪ Movement in equity (transfer to share capital)		(8,201)	(350,411)
Gross share-based payments		389,639	105,263

19.2. Share-based payment arrangements in effect during the year

19.2.1. *Share-based payments recognised in profit or loss*

19.2.1.1. Performance Shares – Mr Ryan McCall

4,601,532 Performance Shares were approved at the Annual General Meeting held on 16 November 2022 to Mr Ryan McCall which convert to ordinary fully paid shares on a one for one basis following the achievement of the performance milestones before the expiry date as detailed below and as detailed below.

Additionally, 710,000 Performance shares were approved for Mr. Ryan McCall subject to the company's vesting schedule for tenure with no additional performance milestone.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 19 Share-based payments (cont.)

19.2.1.1 Performance Shares – Mr Ryan McCall

Class of Performance Right	Performance Condition	Performance rights No.	Vesting conditions	Expiry Date	Performance Condition Satisfied
A	Upon achievement of a 90 day VWAP of 7 cents based upon shares traded on ASX over any period between allotment of the rights and 16 July 2024	1,150,383	Market vesting	16 July 2024	No
B	Upon achievement of a 90 day VWAP of 12 cents based upon shares traded on ASX over any period between allotment of the rights and 30 June 2025	1,150,383	Market vesting	30 June 2025	No
C	Upon the releasing of audited Financial Statements by the company evidencing NPAT of at least A$2,000,000 in any one of the FY23, FY24 or FY25	1,150,383	Non-Market Vesting	30 June 2025	No
D	Upon the Company reporting recurring monthly revenue (excluding development, hardware sales or other one-off revenue) that exceeds expenses for any 3-month period prior to 30 June 2024	1,150,383	Non-Market Vesting	30 June 2023	No
Service	Upon tenure milestones	710,000	Non-Market Vesting	1 January 2025	Yes[1]

[1] 177,500 Performance Shares converted into 177,500 Ordinary Fully Paid Shares upon satisfaction and achievement of the tenure milestone.

19.2.2. ***Share-based payments recognised in financial assets***

19.2.2.1. Facility Options

On 25 October 2022, 38,499,971 Free Attaching Facility Options were issued. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
38,499,971	16 July 2024	$0.070	Immediately upon issue

19. 2.2.2. Broker Options

On 18 November 2022, 2,300,460 Broker Options were issued. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
2,300,460	31 July 2026	$0.070	Immediately upon issue

19. 2.2.3. Director Options

On 18 November 2022, 10,000,000 Options were issued to company Directors. Details of the assumptions used in the valuation of the options of these options are summarised below detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
10,000,000	16 July 2024	$0.070	Immediately upon issue

Note 19 Share-based payments (cont.)

19.3. Movement in share-based payment arrangements during the period

A summary of the movements of all Company options issued as share-based payments is as follows:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	33,990,614	$0.0776	14,833,468	$0.0763
Granted	50,800,431	$0.0785	19,157,146	$0.0785
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	84,791,045	$0.0738	33,990,614	$0.0776
Exercisable at year-end	84,791,045	$0.0738	33,990,614	$0.0776

19.3.1.1. No options were exercised during the year (2022: Nil).

19.3.1.2. The weighted average remaining contractual life of options outstanding at year end was 1.57 years (2022: 2.1 years). The weighted average exercise price of outstanding options at the end of the reporting period was $0.0738 (2022: $0.0776).

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 19 Share-based payments (cont.)

19.4. Fair value of options granted during the year

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.0700 (2022: $0.0785). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options:

Note Reference	*19.2.2.1*	*19.2.2.2*	*19.2.2.3*
Grant date:	25.10.2022	18.11.2022	18.11.2022
Grant date share price:	$0.03	$0.03	$0.03
Option exercise price:	$0.070	$0.070	$0.070
Number of options issued:	38,499,971	2,300,460	10,000,000
Remaining life (years):	1.7	3.7	1.7
Expected share price volatility:	112%	112%	112%
Risk-free interest rate:	1.00%	1.00%	1.00%
Value per option	-	$0.0168	$0.0093

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Note 19 Share-based payments (cont.)

19.4.1. *Accounting policy*

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares, *equity-settled transactions*. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model for services provided by employees or where the fair value of the goods or services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance date, the entity revises its estimates of the number of options with non-market vesting conditions that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award, *vesting date*.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

19.4.2. *Key estimate*

194.2.1. Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs. The assumptions and models used for estimating fair value for share- based payment transactions are disclosed in Note 19.4.

The Company issued performance shares during the year ended 30 June 2023 based upon the conditions set out in Note 19. The Company follows the guidelines of AASB 2: Share Based Payments and takes into account non-market vesting conditions and estimates the probability and expected timing of achieving the performance conditions. The Group has not recognised any cost associated with the issue of the performance shares as there remains significant uncertainty as to whether the performance milestones will be met and the performance shares will convert to ordinary shares. For full details of the terms of the performance shares see Note 19.4

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Notes to the consolidated financial statements

for the year ended 30 June 2023

Note 20. Operating segments

20.1. Identification of reportable segments

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

20.2. Basis of accounting for purposes of reporting by operating segments

20.2.1. *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. During the current period, the Group is considered to operate in one segment, being home security services in the USA.

	2023 $	2022 $
20.3. Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	-	-
United States	1,658,638	4,310,127
Total revenue	1,658,638	4,310,127
20.4. Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	261,981	775,785
United States	1,763,260	1,181,613
Total assets	2,025,241	1,957,398

20.5. Major customers

The Group has a number of customers to whom it provides both products and services. The Group has business customers who account for 74% (2022: 87%) of total revenue.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 21. Parent entity disclosures

Scout Security Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Scout Security Limited did not enter into any trading transactions with any related party during the year.

21.1. Financial Position of Scout Security Limited	2023 $	2022 $
Current assets	41,902	40,559
Non-current assets	-	14,407
Total assets	41,902	54,966
Current liabilities	1,680,657	714,948
Non-current liabilities	2,617,961	1,928,055
Total liabilities	4,298,618	2,643,002
Net assets/(liabilities)	(4,256,714)	(2,588,036)
Equity		
Issued capital	18,175,245	16,065,022
Reserve	5,703,922	5,314,283
Accumulated losses	(28,135,883)	(23,967,341)
Total equity	(4,256,714)	(2,588,036)

21.2. Financial performance of Scout Security Limited	2023 $	2022 $
Loss for the year	(4,168,542)	(4,497,780)
Other comprehensive income	-	-
Total comprehensive income	(4,168,542)	(4,497,780)

21.3. Guarantees

There are no guarantees entered into by Scout Security Limited for the debts of its subsidiaries as at 30 June 2023 (2022: $nil).

21.4. Contractual commitments

The parent company has no capital commitments at 30 June 2023 (2022: $nil). The parent company other commitments are disclosed in Note 12 Commitments.

21.5. Contingent liabilities

There are no guarantees entered into by Scout Security Limited for the debts of its subsidiaries as at 30 June 2023 (2022: $nil).

Note 22. Statement of significant accounting policies

22.1. Basis of preparation

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

22.1.1. Reporting Entity

Scout Security Limited (Scout or the Company) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Scout and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in the design, manufacture and sales of security systems.

The separate financial statements of Scout, as the parent entity, have not been presented with this financial report as permitted by the Corporations Act 2001 (Cth).

22.1.2. Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AAS Board) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the Corporations Act 2001 (Cth).

Australian Accounting Standards (AASBs) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 30 August 2023 by the directors of the Company.

22.1.3. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $4,542,362 (2022: $3,288,924) and a net cash out-flow from operating activities of $3,442,304 (2022: $3,755,952) out-flow. As at 30 June 2023, the Company had a working capital deficit of $1,972,585 (2022: $864,313 working capital deficit), as disclosed in Note 9 of the Capital Management note.

The ability of the Group to continue as a going concern is dependent on executing its near and medium term plans for expansion of its product portfolio; or on securing additional debt and/or equity funding in the event that sufficient revenue is not generated in the normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- Following the placement was a non-renounceable rights issue on a 1-for-4 basis on the expanded capital base at the same terms as the Placement, raising a further $1.38m.
- In April 2023 Scout entered into a ~$2.59m finance facility with the ability to raise up to $6.04m detailed in note 5.7.4. At date of report released, $3.04m has been funded and $3.0m remains available.
- The Company is in discussions with existing convertible note holders regarding the notes upcoming expiration. Discussions include repayment of the notes, an extension from the current repayment date, and rolling the notes into the new debt facility.
- The Company has no immediate plans to raise capital via equity; however, continually investigates any opportunity in the best interest of the business for on market or off market placements.
- The month-on-month growth of existing white label customers, along with the addition of new ones, will increase incoming cash payments on an ongoing basis, thus bolstering the financial stability. Additional development fees from white label partners is expected to bring in upwards of $300k by the end of the calendar year.
- Management have prepared a cashflow forecast for the next 12 months that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as an when they are due;
- Managing cash flows in line with available funds

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 22. Statement of significant accounting policies

The directors plan to continue the Group's operations on the basis disclosed above and believe that there will be sufficient funds for the Group to meet its obligations and liabilities for at least 12 months from the date of this report. In the event that the Group is unable to generate sufficient revenue in the normal course of business or secure additional funds through new share issues or borrowings, the Group may need to reduce costs or negotiate extended terms with key creditors in order to meet working capital requirements.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern and meet its debts as and when they become due and payable.

22.1.4. ***Comparative figures***

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

22.1.5. ***New and Amended Standards Adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

22.2. Value added taxes

Value-added tax (VAT) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (Goods and Services Tax or GST) and in the USA (Sales Tax), hereafter collectively referred to as GST.

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

22.3. Foreign currency transactions and balances

22.3.1. ***Functional and presentation currency***

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the legal parent entity's functional and presentation currency. The functional currency of Scout Security Inc. is the United States Dollar.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 22. Statement of significant accounting policies

22.3.2. ***Transaction and balances***

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

22.3.3. ***Group companies and foreign operations***

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

22.4. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.4.1.

22.4.1. ***Critical Accounting Estimates and Judgments***

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

22.4.1.1. Key estimate – Taxation

Refer 4.8 in the Income Tax note.

22.4.1.2. Key estimate – Inventories

Refer Note 6.1 Inventories

22.4.1.3. Key estimate – Share-based payments

Refer Note 19 Share-based payments

22.4.2. ***Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

22.5. Fair Value

22.5.1. *Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

22.5.2. *Fair value hierarchy*

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

22.5.3. *Valuation techniques*

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 22. Statement of significant accounting policies

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

22.6. New Accounting Standards and Interpretations not yet mandatory or early adopted

22.6. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 23. Company details

The registered office of the Company is:

Registered Office - Australia

Street + Postal: Level 12
225 George Street
Sydney, NSW 2000
Australia

Registered Office – United States

Postal: 210 North Racine Avenue
Unit 2N
Chicago, IL 60607
United States of America

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 62, are in accordance with the Corporations Act 2001 (Cth) and:
   (a) comply with Accounting Standards;
   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and
   (c) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Group.
   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Martin Pretty

MARTIN PRETTY
Non-Executive Chairman
Dated this Wednesday, 30 August 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOUT SECURITY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scout Security Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22.1.2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 22.1.3 in the financial report, which indicates that the Group incurred a net loss of $4,542,362 during the year ended 30 June 2023. As stated in Note 22.1.3, these events or conditions, along with other matters as set forth in Note 22.1.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Borrowings **(Note 5.7)** During the year, the Group entered into a secured debt deed of loan to raise up to USD$4 million. This includes new funds raised and rollover of existing loans. Warrants will be issued to the lenders in consideration for participation in the Deed. As at 30 June 2023, the total loan balance is $2,355,237. Borrowings are considered to be a key audit matter due to the significance of the balance to the Group's financial position and the complexities involved in the recognition and measurement of the value of the borrowing based on the embedded terms and conditions of the borrowing.	Our procedures amongst others included: • Analysing the agreement to identify the key terms and conditions within; • Verification of the funds received during the year; • Assessing the treatment for the existing loans rolled over; • Assessing the accounting treatment of the financial instruments in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards; • Evaluating management's valuations on the warrants and assessing the assumptions and inputs used; • Assessing the calculation including relevant amortisation of finance costs for the year; and • Assessing the adequacy of the disclosures in the financial report.
Revenue Recognition **(Note 1.1 and 5.6)** The Group has several revenue streams as outlined in note 1.1 and has generated sales of $1,658,638 and has unearned revenue of $137,647 at balance date. We focused on this area as recognition of revenue under AASB 15 *Revenue from Contracts with Customers* ('AASB 15') requires significant judgement by management in identifying performance obligations, allocation	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy for compliance with AASB 15; • Reviewing a sample of revenue to supporting contracts to ensure revenue was recognised in

Key Audit Matter	How our audit addressed the Key Audit Matter
of the transaction price and satisfaction of performance obligations over time or at a point in time. We consider this to be a key audit matter due to the judgement and estimates involved in determining when the performance obligations are met and revenue is recognised.	accordance with the revenue recognition policy; • Assessing cut-off of revenue at balance date and verifying revenue has been recorded in the correct reporting period or deferred as unearned revenue; and • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 22.1.2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

HALL CHADWICK

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated this 30th day of August 2023
Perth, Western Australia

Notes to the consolidated financial statements
for the year ended 30 June 2023

Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 10 August 2023.

a. **Ordinary share capital**

230,668,020 ordinary fully paid shares held by 609 shareholders.

b. **Unlisted Options over Unissued Shares**

Number of Options	Exercise Price $	Expiry Date
26,257,358	0.070	16 July 2024
1,433,256	0.135	04 Jan 2025
900,000	0.070	18 Mar 2025
5,400,000	0.100	21 Apr 2025
38,499,971	0.070	16 July 2024
2,300,460	0.070	31 July 2026
10,000,000	0.070	16 July 2024
84,791,045		

c. **Unlisted Warrants over Unissued Shares**

Number of Warrants	Exercise Price $	Expiry Date
24,150,000	0.05	01 May 2026
24,150,000		

d. **Performance Rights over Unissued Shares**

6,052,820 performance rights.

e. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options**: Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
- **Unlisted Warrants**: Warrants do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

f. **Substantial Shareholders as at 10 August 2023.**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
NATIONAL NOMINEES LIMITED	44,650,000	19.36
ALTOR CAPITAL MANAGEMENT PTY LTD	14,769,048	6.40
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,979,302	6.06

g. **Distribution of Shareholders as at 10 August 2023.**

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	40	3,693	0.00
1,001 – 5,000	60	196,744	0.09
5,001 – 10,000	69	573,576	0.25
10,001 – 100,000	219	9,522,659	4.13
100,001 – and over	221	220,037,348	95.54
	609	**230,668,020**	**100.01**

h. **Unmarketable Parcels as at 10 August 2023**

At the date of this report there were 260 shareholders who held less than a marketable parcel of shares holding 2,390,363 shares.

i. **On-Market Buy-Back**

There is no current on-market buy-back.

j. **Restricted Securities**

The Company has no restricted securities

Notes to the consolidated financial statements
for the year ended 30 June 2023

Additional Information for Listed Public Companies

k. **20 Largest Shareholders — Ordinary Shares as at as at 10 August 2023**

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	NATIONAL NOMINEES LIMITED	44,650,000	19.36
2.	ALTOR CAPITAL MANAGEMENT PTY LTD	14,769,048	6.40
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,979,302	6.06
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,011,096	5.64
5.	DANIEL B ROBERTS	9,900,541	4.29
6.	BNP PARIBAS NOMINEES PTY LTD	9,510,342	4.12
7.	DAVID SHAPIRO	7,919,291	3.43
8.	MARTIN PRETTY	7,122,703	3.09
9.	ANTHONY BROWN	5,737,699	2.49
10.	MATTHEW HARRIS & ASSOCIATES PTY LTD	5,103,743	2.21
11.	CITICORP NOMINEES PTY LTD	4,452,771	1.93
12.	DR STUART LLOYD PHILLIPS + MRS FIONA JANE PHILLIPS	3,285,000	1.42
13.	AMAZON.COM NV INVESTMENT HOLDINGS LLC	2,731,592	1.18
14.	MR ANDREW DAVID JOHN CURTIS	2,700,000	1.17
15.	INVIA CUSTODIAN PTY LIMITED	2,396,257	1.04
16.	BARK (NSW) PTY LTD	2,250,000	0.98
17.	HERSH MAJTELES	2,123,743	0.92
18.	BOND STREET CUSTODIANS LIMITED	2,000,000	0.87
19.	MR JAMES MATTOX	1,737,705	0.75
20.	TASCO HOLDINGS PTY LTD	1,600,000	0.69
	TOTAL	**156,980,833**	**68.05**

l. Unquoted Securities Holders Holding More than 20% of the Class as at 10 August 2023

- *Unlisted Options (Exercise price $0.07, Expiry Date: 16.07.24)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
NATIONAL NOMINEES LIMITED <FUNDHOST LIMITED A/C>	8,855,597	33.73
TOTAL	**8,855,597**	**33.73**
TOTAL UNLISTED OPTIONS	**26,257,358**	

- *Unlisted Options (Exercise price $0.135, Expiry Date: 31.12.24)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
ACACIA CAPITAL PTY LIMITED	716,628	50.00
GLENEAGLE SECURITIES NOMINEES PTY LTD	716,628	50.00
TOTAL	**1,433,256**	**100.00**
TOTAL UNLISTED OPTIONS	**1,433,256**	

- *Unlisted Options (Exercise price $0.07, Expiry Date: 18.03.25)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
NATIONAL NOMINEES LIMITED <FUNDHOST LIMITED A/C>	350,000	38.89
TOTAL	**350,000**	**38.89**
TOTAL UNLISTED OPTIONS	**900,000**	

- *Unlisted Options (Exercise price $0.10, Expiry Date: 21.04.25)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
ADAPTIVE INCOME FUND LP	5,400,000	100.00
TOTAL	**5,400,000**	**100.00**
TOTAL UNLISTED OPTIONS	**5,400,000**	

- *Unlisted Warrants (Exercise price $0.05, Expiry Date: 01.05.26)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
SEGAL EDWARD DRUMMOND JR	15,000,000	62.11
ADAPTIVE INCOME FUND LP	7,500,000	31.06
TOTAL	**22,500,000**	**93.17**
TOTAL UNLISTED WARRANTS	**24,150,000**	

2 The Company Secretary was Kim Clark.

Notes to the consolidated financial statements
for the year ended 30 June 2023

Additional Information for Listed Public Companies

3 Principal registered office

As disclosed in Note 23 Company details on page 62 of this Annual Report.

4 Registers of securities

As disclosed in the Corporate directory on page i of this Annual Report.

5 Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

6 Use of funds

The Company has used its funds in accordance with its initial business objectives.