



# Scout Security Limited

ABN 13 615 321 189

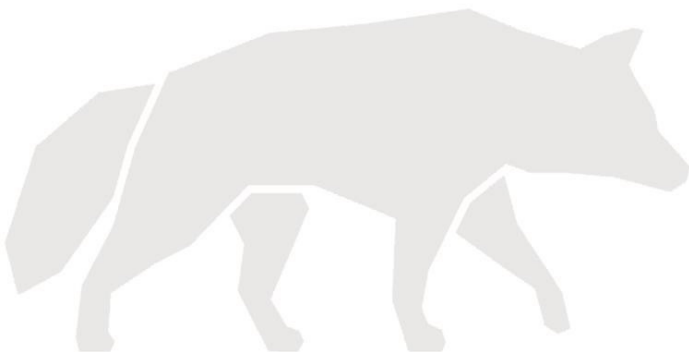
and its controlled entities

## APPENDIX 4E

Preliminary Final Report

30 June 2024

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**Corporate directory****Current Directors**

Mr Daniel Roberts	<i>Executive Director</i>	Tenure Appointed August 2017
Mr Martin Pretty	<i>Non-executive Chairman</i>	Appointed July 2020
Mr David Shapiro	<i>Non-executive Director</i>	Appointed August 2017
Mr Anthony Brown	<i>Non-executive Director</i>	Appointed August 2017
Mr Ryan McCall	<i>Executive Director</i>	Appointed February 2023

**Company Secretary**

Ms. Kim Larkin

**Registered Office - Australia****Street + Postal:**

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**Solicitors**

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ASX Code SCT

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## Company Update

### 1. Operating and financial review

#### 1.1. Nature of Operations: Principal Activities

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. 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 simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multitenant buildings.

Scout was recognised as one of Forbes' "Best Home Security Companies of 2022" and was named the "Best Contract-Free Home Security System Provider of 2024" by CBS Essentials. Scout's design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class IoT devices and offering flexible monitoring options.

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

#### 1.2. Operations Review

##### BUSINESS DEVELOPMENT

The Company focused on delivering growth in FY24 through new and existing white label partners. By the end of FY24, Scout had also implemented cost saving initiatives expected to exceed \$1 million per year. Key business development announcements during the period included:

The Company's focused on both expansion and growth in FY24 through new and existing white label partners. Key business development announcements during the period included:

July 2023:	Launch of pilot program with Lumen Technologies, Inc ((NYSE: LUMN)
August 2023:	Purchase order of camera hardware received from Windstream
September 2023:	Master Service Agreement signed with Lumen
November 2023:	White label deal agreed with Origin Wireless AI
December 2023:	Convertible note maturity extended to 31 December 2024
February 2024:	AU\$306k of additional capital raised via existing debt facility
April 2024:	Master Service Agreement signed with Intelligent Monitoring Group (ASX: IMB)
May 2024:	First purchase order received under IMB white label partnership
June 2024:	Launch of recapitalisation via \$4.376m package of equity commitments and debt conversion

## Company Update

### Windstream partnership

The Company remains focused on growing subscriptions through its white label program, which continues to yield net new customer adds each month. Growth in Scout's monthly recurring revenue (MRR) through its white label program reflects sell-through and activation of Scout-powered security systems, and over time, growth in MRR also decreases the significance of hardware purchase orders to the Company's cash flows.

During the period, US sales of the Scout-powered white labelled telco home security solution continued to develop. Sales through the Company's first US ISP white label partner, Windstream, increased through the period as Windstream actively marketed the Scout-powered DIY home security solution via e-commerce to its existing customer base. This followed the launch in the June 2023 quarter of e-commerce sales to existing Windstream customers. Prior to this point, Windstream had only targeted new customers via phone sales with the Scout-powered Kinetic Secure Home offer. A marketing push in January 2024 has hope to drive stronger growth in sales which will accrue to RMR in the March quarter.

Windstream e-commerce is proving to be a successful channel, with the rate of sales prompting Windstream to order an additional 5,000 cameras from Scout during the September quarter, and in early H2 FY24, an additional 4,000 cameras. With the value of this channel now proven, Scout and Windstream are in discussions regarding offering more Scout products on the Windstream platform, and potentially transitioning Windstream to Wi-Fi Motion Sense and moving beyond the hub model.

### Intelligent Monitoring Group partnership

In April 2024, Scout signed a Master Service Agreement with leading security and monitoring company Intelligent Monitoring Group (ASX: IMB). IMB is Australia's biggest and fastest-growing home security group and owns the local business of ADT Security, a globally recognised brand.

The partnership will see the development and roll out of both hub-and-spoke and Wi-Fi sensing DIY home security offerings to consumers through IMB's various sales channels within Australia and New Zealand. As these markets are largely untapped by affordable do-it-yourself security solutions, Scout and IMB are confident in our combined efforts to capture a substantial portion of the market. In May, IMB placed an initial hardware order of A\$250k to support a sales launch anticipated in Q1 FY25.

### Origin AI partnership

In November, Scout secured a new white label partnership deal with Origin Wireless AI ("Origin"). Canadian-based Origin is the pioneer in transforming WiFi signals into innovative WiFi Sensing technology and the category leader in providing precise presence sensing solutions for Fortune 500 business service providers, security, and Internet-of-Things (IoT) companies, leveraging its patented and award-winning AI to detect and verify human presence for eldercare, smart automations and security. Scout completed the deliverables under the SoW in January 2024 delivering a complete white label Wi-Fi sensing home security platform to Origin. The companies continue to work jointly to develop and commercialise WiFi Sensing into a complete home automation and security solution.

## Company Update

### Lumen partnership

In September 2023, Scout completed a pilot program and signed a Master Service Agreement with Lumen Technologies, Inc ((NYSE: LUMN), "Lumen"). Lumen is a full-service US telco with almost 22 million broadband enabled locations, adding 40,000 new fiber subscribers quarterly, and almost US\$14bn in annual revenue.

The pilot program tested the Scout-powered motion sense home security app with Lumen customers, bringing cutting-edge Wi-Fi sensing capability to detect motion in homes through the disruption of Wi-Fi waves.

Scout was pleased to receive strongly positive user feedback through the pilot program, with as many as 65% of responders indicating that they would be willing to pay for the Scout-powered home security service after experiencing a free trial.

The partnership between Scout and Lumen continued productively during H2 FY24 as the parties work towards agreeing a Statement of Work (SoW) as a next step following the Master Services Agreement.

Scout and Lumen management met multiple times through the year and reconfirmed the parties' shared commitment to rolling out the Scout-powered smart security and control platform under Lumen's brand, with recurring revenues to follow. Commercial launch of Scout's motion sense home security product will open a new addressable market for Scout of users who could purchase a "light" home security system as a stepping stone that can be built up over time.

### International and M&A

Scout's sales and business development activities in Australia increased in early FY24. The Company remains in discussions with Australian internet service providers (ISPs) and value-added resellers (VARs) to bring Scout's Security-as-a-Service platform to Australia, leveraging the beachhead established through the achievement of first sales of Scout products on Amazon.com.au.

Scout continues to evaluate opportunities to inorganically accelerate the growth of the Company through strategic potential 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.

### Industry Recognition

Scout was proud to be named the market's best contract-free home security provider of 2024 by CBS Essentials, the online shopping guide of major US broadcaster CBS.

## Company Update

### Corporate

In December 2023, Scout agreed with investors holding AU\$1.475m of the Convertible Notes due on 31 December 2023 that, subject to shareholder approval, the maturity date of the Notes would be extended to 31 December 2024 on terms detailed in the ASX announcement dated 29 December 2023.

In early H2 FY24, Scout subsequently raised an additional AU\$306k via its existing debt facility and appointed US-based middle market corporate advisor Westlake Securities to explore strategic opportunities.

In June 2024, Scout announced a comprehensive recapitalisation to support working capital and growth initiatives. This followed an intensive four months of cost reduction and business development, with the expansion of existing customer relationships (Windstream and Origin) and the addition of a new contracted customer (IMB), while Scout prepared for the commercial launch of its WiFi Sensing offerings with Lumen and other white-label partners.

This recapitalisation finalised in August 2024 and comprises:

- Tranche 1 – 29,604,957 Placement shares issued to professional and sophisticated investors at an issue price of \$0.004 per share under SCT's existing Listing Rule 7.1 placement capacity, raising \$118,420 (before costs).
- Tranche 2 – 64,250,000 Placement shares issued, including 56,750,000 Placement shares to a strategic Investor, Origin Wireless, Inc, at an issue price of \$0.004 per share to raise a further \$257,000 (before costs). The Tranche 2 Placement was subject to shareholder approval under listing rule 7.1 which was granted at an Extraordinary General Meeting (EGM) on 25 July 2024.
- Non-renounceable Rights Issue to raise up to \$1.57m (inclusive of the T1 and T2 Placements) at the Placement price, underwritten for \$458k with \$166k in additional shortfall commitments. The Company secured funding of \$625k (before costs) via the Rights Issue. As set out in the Prospectus announced to ASX on 18 June 2024, the shortfall offer of up to \$951k will remain open for up to three months from the closing date of the Rights Issue, being until 25 October 2024.
- All new shares to be issued at \$0.004 a share with one free attaching option (exercisable at \$0.005 within 2 years of the issue of Tranche 1 Placement shares) for every share issued.
- Investors holding all of the Company's outstanding convertible notes (worth \$1.48 million) and US\$1.34 million (A\$2.07 million at an agreed exchange rate of US\$0.65:A\$1) of secured loan notes have agreed to convert to equity on the same terms as the placement and rights issue.

During the quarter, the Company also provided notice of a proposed share consolidation at a ratio of 100:1, approval for which was granted by shareholders on 25 July 2024 with an effective date of Monday 12 August 2024. The consolidation provides a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors.

In accordance with Listing Rule 7.21 and 7.22.1, all Options, Performance Rights and Warrants currently on issue by the Company will be consolidated in the same ratio as Shares, and the exercise price of the Options and Warrants will be amended in accordance with the ASX Listing Rules.

### Outlook

In the year ahead Scout plans to deliver revenue growth through the launch of Lumen, Windstream growth, and launching its partnership in Australia with Intelligent Monitoring Group. Scout has also hit the ground running with Origin Wireless AI, whose equity commitment underlines the strategic value of Scout's technology platform for DIY home security and the Company's white-label proposition within the realm of Wi-Fi motion sensing.

The progress of Scout's partnership with Lumen is providing encouraging signs that there is a very real opportunity not only to take what Scout is delivering with Windstream to a much larger market, but also to commercialise the Company's leadership position in applying Wi-Fi motion sensing technology.

Scout continues to work multiple exciting opportunities through its sales pipeline, which remains the most robust it has been in the history of the Company.

With an improved balance sheet, the Company's board and management remain focused on executing Scout's growth strategy and look forward to delivering value for the Company's customers, partners and investors.

## Company Update

### 1.4. 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 an increment in loss for the year to A\$3.591 million vs. 2023: A\$4.542 million loss, a 21% year-on-year reduction in net loss.

The Group's revenue for the year ended 30 June 2024 was recorded at A\$1.967 million, an increase of 19% compared to FY23 revenue of A\$1.659 million.

During FY24, the Company's recurring revenue increased \$82k, culminating in a 8% growth in recurring revenue to A\$1.135 million in FY24 vs. A\$1.053 million in FY23 and A\$955k in FY22.

Cash receipts from customers in FY24 of A\$1.989 million were up by 16% compared to FY23's A\$1.718 million.

Please refer to the Operations Review above for additional business segment performance. Please refer to the Operations Review above for additional business segment performance.

### 1.5. 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.



**Results for announcement to the Market**  
for the year ended 30 June 2024

<b>1</b>	<b>REPORTING PERIOD (item 1)</b>
■	Report for the financial year ended: 30 June 2024
■	Previous corresponding period is the year months ended: 30 June 2023

<b>2</b>	<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>	<b>Percentage %</b>	<b>Amount \$</b>
■	Increase in revenues from ordinary activities (item 2.1)	19 to	1,966,989
■	Decrease in loss from ordinary activities after tax attributable to members (item 2.2)	21 to	(3,591,168)
■	Decrease in loss from after tax attributable to members (item 2.3)	21 to	(3,591,168)
■	Increase in Gross Margin	69 to	1,115,716

<b>a.</b>	<b>Dividends (item 2.4)</b>	<b>Amount per Security ¢</b>	<b>Franked amount per security %</b>
	Interim dividend	nil	n/a
	Final dividend	nil	n/a

■	Record date for determining entitlements to the dividend (item 2.5)	n/a
<b>b.</b>	Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to the attached Operations Review.	

<b>3</b>	<b>PRELIMINARY FINAL REPORT</b>
<b>a.</b>	Statement of comprehensive income (item 3): Refer to Consolidated statement of profit or loss and other comprehensive income on page 8
<b>b.</b>	Statement of financial position (item 4): Refer to Consolidated statement of financial position on page 9
<b>c.</b>	Statement of cash flows (item 5): Refer to Consolidated statement of cash flows on page 11
<b>d.</b>	Statement of changes in equity (item 6):

<b>4</b>	<b>DIVIDENDS (item 7) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS (Item 14.2)</b>
	<b>Nil.</b>
<b>a.</b>	Details of dividend or distribution reinvestment plans in operation are described below (item 8): Not applicable

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**Results for announcement to the Market**

for the year ended 30 June 2024

5 RATIOS	Current period	Previous corresponding period
a. Financial Information relating to 5b and 5c:	\$	\$
Earnings for the period attributable to owners of the parent	(3,591,168)	(4,542,362)
Net liabilities	(8,172,669)	(4,492,118)
Less: Intangible assets (including net deferred tax balances) Net tangible assets	-	-
	(7,832,224)	(4,492,118)
	No.	No.
Fully paid ordinary shares	262,519,839	230,668,020
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	231,079,202	208,071,167
	¢	¢
b. Net tangible assets backing per share (cents) (item 9):	(0.031)	(0.019)
c. Earnings per share attributable to owners of the parent (cents) (item 14.1):	(1.55)	(2.18)
The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group. During the 2024 financial year the Group had 84,791,045 unissued shares under option and 16,504,843 performance shares which are anti-dilutive.		
<b>6 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 10)</b>		
a. Control gained over entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of gain of control (item 10.2)		
b. Loss of control of entities		
■ Name of entities (item 10.1)	Nil	
■ Date(s) of loss of control (item 10.2)	N/A	
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 10.3).	Nil	
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Nil	
<b>7 DETAILS OF ASSOCIATES AND JOINT VENTURE: (item 11)</b>		
■ Name of entities (item 11.1)	Nil	
■ Percentage holding in each of these entities (item 11.2)	n/a	
	Current period	Previous corresponding Period
	\$	\$
■ Aggregate share of profits (losses) of these entities (item 11.3)	N/A	N/A

**Results for announcement to the Market**  
for the year ended 30 June 2024

<b>8</b>	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position. (item 12):  Refer to commentary update accompanying this 4E
<b>9</b>	The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian Accounting Standards (item 13)
<b>10</b>	<b>A COMMENTARY ON THE RESULTS FOR THE PERIOD</b> (item 14)  Refer to Company Update on page 1 . The Group had revenue of \$1,966,989 (2023: \$1,658,638) for the period.
<b>11</b>	The preliminary final report has been prepared based on the 30 June 2024 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s.302 of the Corporations Act 2001 (Cth). (item 15)

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**Consolidated statement of profit or loss and other comprehensive income**  
for the year ended 30 June 2024

	Note	2024 \$	2023 \$
<i>Continuing operations</i>			
Revenue	1.1	1,966,989	1,658,638
Cost of sales		(851,273)	(996,940)
		1,115,716	661,698
Other income	1.2	27,688	22,262
Movement in Fair Value of Embedded Derivative	3.8	384,375	-
Consultancy and professional fees		(558,350)	(480,832)
Depreciation and amortisation		-	-
Employment costs	2.1	(2,524,350)	(2,945,852)
Finance costs		(1,016,139)	(865,825)
Information technology costs		(98,623)	(108,257)
Occupancy costs		(158,500)	(146,924)
Share-based payments expense	6	(32,913)	28,173
Sales and marketing		(12,287)	(61,506)
Shipping and postage		(150,047)	(183,811)
Travel and accommodation		(17,530)	(71,455)
Other expenses		(550,208)	(390,033)
Loss before tax		(3,591,168)	(4,542,362)
Income tax expense		-	-
<b>Net loss for the year</b>		<b>(3,591,168)</b>	<b>(4,542,362)</b>
<i>Other comprehensive income, net of income tax</i>			
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		22,490	(60,540)
<b>Other comprehensive income for the period, net of tax</b>		<b>22,490</b>	<b>(60,540)</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(3,568,678)</b>	<b>(4,602,902)</b>

*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 2024

	Note	2024 \$	2023 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	163,820	1,052,421
Trade and other receivables	3.2	197,905	37,869
Inventories	4.1	94,383	399,300
Other current assets	3.3	76,794	45,327
<b>Total current assets</b>		<b>532,902</b>	<b>1,534,917</b>
<i>Non-current assets</i>			
Financial assets	3.4	-	220,079
<b>Total non-current assets</b>		<b>-</b>	<b>220,079</b>
<b>Total assets</b>		<b>532,902</b>	<b>1,754,996</b>
<i>Current liabilities</i>			
Trade and other payables	3.5	3,253,827	1,530,970
Borrowings	3.5	3,512,165	1,838,885
Unearned revenues	3.6	366,643	137,647
Financial Liabilities	3.8	-	384,375
<b>Total current liabilities</b>		<b>7,132,635</b>	<b>3,891,877</b>
<i>Non-current liabilities</i>			
Borrowings	3.7	1,232,491	2,355,237
<b>Total non-current liabilities</b>		<b>1,232,491</b>	<b>2,355,237</b>
<b>Total liabilities</b>		<b>8,365,126</b>	<b>6,247,114</b>
<b>Net liabilities</b>		<b>(7,832,224)</b>	<b>(4,492,118)</b>
<i>Equity</i>			
Issued capital	5.1	18,380,171	18,223,976
Reserves	5.4	6,042,561	5,947,694
Accumulated losses		(32,254,956)	(28,663,788)
<b>Total equity</b>		<b>(7,832,224)</b>	<b>(4,492,118)</b>

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 2024

	Note	Contributed equity	Foreign Currency Translation Reserve	Share-based Payments Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$	\$
<i>Balance at 1 July 2022</i>		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)	(4,542,362)
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)	-	(4,542,362)	(4,602,902)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	2,150,753	-	-	-	2,150,753
Options granted during the year	5.3	-	-	131,192	-	131,192
Performance Shares	5.2	8,201	-	(128,919)	-	(120,718)
Warrants Issued during the year		-	-	387,366	-	387,366
Balance at 30 June 2023		18,223,976	243,772	5,703,922	(28,663,788)	(4,492,118)
<i>Balance at 1 July 2023</i>		18,223,976	243,772	5,703,922	(28,663,788)	(4,492,118)
Loss for the year attributable owners of the parent		-	-	-	(3,591,168)	(3,591,168)
Other comprehensive income for the year attributable owners of the parent		-	22,490	-	-	22,490
Total comprehensive income for the year attributable owners of the parent		-	22,490	-	(3,591,168)	(3,568,678)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	5.1	140,920	-	-	-	140,920
Options granted during the year	5.3	-	-	-	-	-
Performance shares	5.2	15,275	-	17,637	-	32,912
Warrants Issued during the year		-	-	54,740	-	54,740
Balance at 30 June 2024		18,380,171	266,262	5,776,299	(32,254,956)	(7,832,224)

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 2024

	Note	2024 \$	2023 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		1,989,108	1,718,346
Payments to suppliers and employees		(3,523,867)	(5,021,880)
Interest received		-	-
Finance costs		(253,080)	(138,769)
<b>Net cash used in operating activities</b>		<b>(1,787,839)</b>	<b>(3,442,303)</b>
<i>Cash flows from investing activities</i>			
<b>Net cash used in investing activities</b>		<b>-</b>	<b>-</b>
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares		118,420	2,309,999
Payments for capital raising costs		-	(120,600)
Proceeds of borrowings		974,592	2,129,222
Repayment of borrowings		(421,044)	(68,429)
Share application		232,000	-
<b>Net cash provided by financing activities</b>		<b>903,968</b>	<b>4,250,192</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>(883,871)</b>	<b>807,889</b>
Cash and cash equivalents at the beginning of the year		1,052,421	236,863
Change in foreign currency held		(4,730)	7,669
<b>Cash and cash equivalents at the end of the year</b>	3.1	<b>163,820</b>	<b>1,052,421</b>

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

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**Notes to the Appendix 4E preliminary final report**  
for the year ended 30 June 2024

Note 1	Revenue and other income	2024 \$	2023 \$
<b>1.1</b>	<b>Revenue</b>		
	Product sales	381,275	138,917
	Subscription revenues	1,135,027	1,052,622
	Development fees	450,687	467,099
	Licensing and support fees	-	-
		1,966,989	1,658,638
<b>1.2</b>	<b>Other Income</b>		
	Interest income	-	-
	Other	27,688	22,262
		27,688	22,262

Note 2	Loss before income tax	2024 \$	2023 \$
	The following significant revenue and expense items are relevant in explaining the financial performance:		
<b>2.1</b>	<b>Employment costs</b>		
	Salary and wages	2,367,384	2,788,042
	Director Fees	156,967	157,810
	Superannuation	-	-
		2,524,351	2,945,852

Note 3	Financial assets and financial liabilities	2024 \$	2023 \$
<b>3.1</b>	<b>Cash and cash equivalents</b>		
	Cash at bank	163,820	1,052,421
		163,820	1,052,421
<b>3.2</b>	<b>Trade and other receivables</b>		
<b>3.2.1</b>	<b>Current</b>		
	Trade receivable	197,905	37,869
		197,905	37,869
<b>3.3</b>	<b>Other assets</b>		
<b>3.3.1</b>	<b>Current</b>		
	Deposits	-	-
	Other current assets	76,794	45,327
		76,794	45,327



Notes to the Appendix 4E preliminary final report  
for the year ended 30 June 2024

**Note 3 Financial assets and financial liabilities (cont.)**

3.4 Financial assets	2024 \$	2023 \$
<b>3.4.1 Current</b>		
<b>Convertible notes – transaction costs</b>		
Facilities, broker and T1 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 transaction cost	(2,386,524)	(2,166,445)
	-	220,079

3.4.2 The transaction costs were incurred in relation to the raising of funds under the convertible note facility (note 3.5.3). 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.

3.5 Trade and other Payables	2024 \$	2023 \$
<b>3.5.1 Current</b>		
<i>Unsecured</i>		
Trade payables	1,172,945	454,437
Accruals and other payables	2,080,882	1,076,533
	3,253,827	1,530,970

3.5.2 Borrowings	2024 \$	2023 \$
<b>Current</b>		
Borrowing- ERC Payable	-	301,659
Convertible Note- face value	1,475,000	1,475,000
Secured Debt – Current	1,833,658	-
Borrowing-Other	203,507	62,226
	3,512,165	1,838,885

## Notes to the Appendix 4E preliminary final report

for the year ended 30 June 2024

**Note 3 Financial assets and financial liabilities (cont.)**

- 3.5.3 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.
  - **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. \$75,000 (FY21: \$37,500) of the initial instalment of \$750,000 were converted to shares during the year.
  - **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 were issued a total of 12,857,142 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.

Notes to the Appendix 4E preliminary final report  
for the year ended 30 June 2024

Note 3 Financial assets and financial liabilities (cont.)

On 18 February 2022, shareholders approved the Group to raise \$450,000 through the issue of 450,000 convertible notes with the key features of the Note are summarised as below:

- **Term:** The term of the deed is 2 years from execution date with a maturity date of 31 December 2023.
- **Interest:** The interest rate will be fixed at 5.0% per annum, calculated and payable quarterly. In the event of default by the Company, a default margin of 15.0% will be added.
- **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.
- **Attaching Options:** In consideration for participation in the Note, Investors will be paid a Facility Fee in the form of 900,000 Option. All options will be exercisable at 7c and will expire in 3 years from issuance.
- **Expiry Extension:** On 31 December 2023, shareholders the Company has extended the maturity of the outstanding Convertible notes until at least 31 December 2024.
- **Subsequent to reporting date:** On 11 June 2024, the Company announced a restructure whereas all \$1,475,000 outstanding convertible notes would convert to equity. In August 2024, the process completed and 368,750,000 Shares at a deemed issue price of \$0.004 per Share were issued in conversion of \$1,475,000 in Convertible notes on issue, together with one attaching New Option for each Share issued.

3.6 Unearned revenues

3.6.1 *Current*  
*Unsecured*  
Unearned revenues

	2024	2023
	\$	\$
	366,643	137,647
	366,643	137,647

3.7 Borrowings

3.7.1 Secured Debt - Non current

Note	2024	2023
	\$	\$
3.7.1	1,232,491	2,355,237
	1,232,491	2,355,237

3.7.1 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 December 31, 2023, \$3,255,383 AUD had been raised. New funds raised total \$2,397,868 and rollover of existing loans total \$958,588. After Warrant reserve and amortization, loan balance at 30 June 2024 was \$3,066,149.

- **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.
- **Subsequent to reporting date:** On 11 June 2024, the Company announced a restructure including all 517,111,249 Loan Note Share at a deemed issue price of \$0.004 per Share in conversion of Loan notes on issue. In August 2024, subsequent to this June 30, 2024 reporting date, the process completed resulting in a net reduction of this loan by \$1,833,658 and additional financing costs associated with the issue of Options of \$1,044,714.

**Notes to the Appendix 4E preliminary final report**  
for the year ended 30 June 2024

**Note 3 Financial assets and financial liabilities (cont.)**

**3.8 Financial liabilities**

	2024 \$	2023 \$
<i>Current</i>		
Convertible note – Embedded Derivative liability	-	384,375
	-	384,375

On 16 July 2020, the Company has entered into a Convertible Note Deed (Note 3.7.1). 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 3.7. The embedded derivative is fair valued at each reporting date. 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.

**4.1 Inventories**

	2024 \$	2023 \$
Finished goods - at cost	94,383	399,300
Prepayments – inventory orders	-	-
	94,383	399,300

Notes to the Appendix 4E preliminary final report  
for the year ended 30 June 2024

Note 5 Equity

	2024 No.	2023 No.	2024 \$	2023 \$
<b>5.1 Issued capital</b>				
Fully paid ordinary shares at no par value	262,519,839	230,668,020	18,380,171	18,223,976
<b>5.1.1 Ordinary shares</b>				
At the beginning of the year	230,668,020	153,394,650	18,223,976	16,065,022
Shares issued during the year:				
■ Director placement at \$0.015	1,500,000	-	22,500	-
■ 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	746,862	273,372	15,275	8,201
■ Placement at \$0.004 per share	29,604,957	-	118,420	-
■ Transaction costs relating to share issues				
■ Cash	-	-	-	(120,599)
■ Equity based	-	-	-	(38,648)
At end of the year	262,519,839	230,668,020	18,380,171	18,223,976

	2024 No.	2023 No.	2024 \$	2023 \$
<b>5.2 Performance shares</b>				
Performance shares	16,504,843	6,052,820	174,546	156,908
At the beginning of the year	6,052,820	5,514,660	156,908	285,827
Performance shares movement during the year:				
■ Issued	11,198,882	5,311,532	3,447	41,282
■ Fair value adjustments	-	-	29,465	-
■ Lapsed	-	(4,500,000)	-	(162,000)
■ Converted to ordinary shares	(746,859)	(273,372)	(15,275)	(8,201)
At end of the year	16,504,843	6,052,820	174,545	156,908

## Notes to the Appendix 4E preliminary final report for the year ended 30 June 2024

5.3 Options	Note	2024	2023	2024	2023
		No.	No.	\$	\$
Options		84,791,045	84,791,045	5,159,648	5,159,648
At the beginning of the year		84,791,045	33,990,614	5,159,648	5,028,456
Options issued/(lapsed) during the year:					
■ Issue of options <sup>(1)</sup>	5.3.1	-	38,499,971	-	-
■ Issue of brokers options	5.3.2	-	2,300,460	-	38,648
■ Issue of director options	5.3.3	-	10,000,000	-	92,544
At end of the year		84,791,045	84,791,045	5,159,648	5,159,648

<sup>(1)</sup>Issued as free attaching options

5.3.1 On 25 October 2022, 38,499,971 free attaching facility options at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.3.2 On 18 November 2022, 2,300,460 broker options at exercise price of \$0.07 expiring 31 July 2024 were issued.

5.3.3 On 18 November 2022, 10,000,000 options were issued to company directors at exercise price of \$0.07 expiring 16 July 2024 were issued.

5.4 Reserves	2024	2023
	\$	\$
Foreign currency translation reserve	266,262	243,772
Share-based payment reserve	5,334,193	5,316,556
Warrant reserve	442,106	387,366
	6,042,561	5,947,694

Note 6 Share-based payments	2024	2023
	\$	\$
6.1 Share-based payments:		
■ Recognised in profit and loss (expenses)	32,913	(28,173)
■ Recognised in equity (transaction costs)	-	38,647
■ Recognised in financial assets	54,740	387,366
■ Movement in equity (transfer to share capital)	(15,275)	(8,201)
Gross share-based payments	72,378	389,639