

ASX ANNOUNCEMENT (ASX: CPT)

29 JULY 2022

QUARTERLY ACTIVITIES REPORT AND BUSINESS UPDATE AND APPENDIX 4C FOR THE QUARTER ENDED 30 JUNE 2022

Cipherpoint Limited (**Cipherpoint** or the **Company**) (ASX:CPT) is pleased to provide the following quarterly activities report and business update and Appendix 4C for the quarter ended 30 June 2022.

Quarter Financial Highlights

The results for the Cipherpoint group (the **Group**), include revenues and cashflows from both of our Brace168 and VIT Cyber Security services divisions.

Financial highlights for the quarter were:

- Customer receipts were \$1.305M compared to the March quarter receipts of \$1.593M reflecting a tougher market.
- The Group held \$794K in cash as of 30 June 2022. Note that the Company raised \$950K, \$300K of which was received in June and included in this 4C, and the balance of \$650K received in July and which will be recorded in the next 4C.
- The Company paid the final deferred cash instalment of \$1M for the acquisition of Brace168 Pty Ltd.
- The Company received the final payment of \$105K in settlement for the sale of software assets to archTIS Pty Ltd (ASX:AR9)

Cipherpoint Non-Executive Chairman Mr Ted Pretty said “While the June quarter has been challenging, the benefit of the cost reduction measures will begin to be more evident in coming quarters.”

During the quarter, the Company made payments to related parties of \$168K which were comprised of a final payment made in April for director and related consulting fees. As previously advised to the market each of the existing non-executive directors has agreed not to take directors fees. Should additional or replacement directors be appointed this practice may need to be reviewed.

The Board is also reviewing direct and indirect accounting, accounting support, company secretarial, audit, tax and related consulting fees as part of its cost reduction program.

Activities Report and Business Update

The demand for cyber security and data protection solutions and services continues to increase but the market is competitive. During the June quarter:

- Although the Company notes the loss of a major customer as announced to the ASX on 15 June 2022 both Brace168 and VITCS continued further consolidating their relationships with existing customers.
- Brace168 continued to directly build on existing relationships securing 3 contract extensions and uplifts with existing customers specifically for managed detection and response services. It also secured 6 penetration test consulting assignments through its partner channels. Brace168 also performed an ISO 27001 Gap Analysis which a new area of consulting available to the business.



- VITCS has made progress in deploying an additional SOC in Tasmania where we have seen demand for cyber services increase. We have secured the new office and the majority of construction is complete. This SOC will also provide redundancy for the Sydney SOC.
- VITCS secured one new contract and built on existing relationships securing three contract extensions and uplifts with existing customers, two for professional services and one for managed services.

Outlook

Execution of the sales pipeline, organic revenue growth and strengthening of relationships with existing customers remains the focus in the near-term.

The Company's cost reduction program which commenced has achieved considerable momentum with over \$1m in annualised costs having been identified and removed (including director fees) without any material adverse impact on the business. Up to a further \$400,000 in costs are being targeted in a second phase of reductions.

The Company intends to further build its managed services capability and to look for options to achieve greater scale in the business through acquisitions including that of Excite IT announced on 28 July 2022.

--Ends--

This announcement has been approved for release by the Board.



About Cipherpoint Group

Cipherpoint through its wholly owned subsidiaries Brace168 and VITCS is a focused managed cyber security services business. It utilizes its best of breed security operations centre and a highly trained operations and advisory team to identify and detect security vulnerabilities using Brace168's unique cyber security approach driven by the NIST framework. It provides innovative IT and cyber security solutions to a broad range of enterprise sectors and government.

Further information

For further information, please visit <https://cipherpoint.com>

Cipherpoint investor relations contact:

Ted Pretty
Managing Director and Executive Chairman

Peter Taylor
Investor Relations
Peter@nwrcommunications.com.au
+61 412 036 231

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Cipherpoint Limited

ABN

61 120 658 497

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,305	1,305
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(186)	(186)
(c) advertising and marketing	(25)	(25)
(d) leased assets	(119)	(119)
(e) staff costs	(1,340)	(1,340)
(f) administration and corporate costs	(656)	(656)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,022)	(1,022)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,000)	(1,000)
(c) property, plant, and equipment	(23)	(23)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	14	14
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant, and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	105	105
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(904)	(904)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	150	150
3.2	Proceeds from issue of convertible debt securities	161	161
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	126	126
3.10	Net cash from / (used in) financing activities	437	437

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,283	2,283
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,022)	(1,022)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(904)	(904)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	437	437
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	794	794

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	794	1,833
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	450
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	794	2,283

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(168)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,022)
8.2	Cash and cash equivalents at quarter end (item 4.6)	794
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	794
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.78
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	No, CPT has already taken steps to remove more than \$1m annualised cost from the business.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Yes, we have successfully completed a \$150,000 placement and a \$800,000 convertible note issue. All of this has been collected in July.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, based on the operating expense reduction and the capital raise both outlined above and in our statement to the market on 26th July 2022.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: Ted Pretty
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.