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Chairman's Address

While we wait for the result, I'd like to offer some comments before handing over to David for his insights. I'll then announce the results of the poll.

It is impossible at the outset not to comment on the weakness in the Company's share price in the current financial year.

The conundrum for me is that the context for this is that, over this period, shareholders have had greater clarity on actual progress being made toward revenue, with whom that progress is being made and from where; greater detail on the short term product and platform plans that fuel progress toward immediate revenue, and on the longer term plans that secure the Company's place in the global security services market; and greater transparency on how we are allocating our scarce resources to the areas of highest return – all of which, we believe, are showing a more positive outlook than at any time in the past.

However, the share price reflects shareholder reality which, based on our discussions with representatives is that:

a. the Company continues to burn too much cash and overheads look to be too high;

b. as such it is always 'come raise' and based on current cash flow projections, will need new capital in Q3;

c. the Company provides no indication on revenue timing or quantum; and

d. consequently, there is concern for operational execution.

I'm going to tackle these four concerns head-on and hopefully give shareholders a greater level of confidence that the opportunity for FirstWave remains huge and that we are being responsible in our pursuits.

Before I do, it is important for me to reiterate that the rationale for my joining the Firstwave Board remains entirely intact and my confidence that FirstWave's cloud content security orchestration platform (CCSP) can be a global success has not been shaken one iota.

In fact, looking in detail at the scale and breadth of the opportunities we are dealing with right now, and David will elaborate, my view is that we are very near the inflection point the leaders in the Company have worked for and shareholders have waited for.

Let me take a few minutes to explain. As I've said before, it all starts with the technology.

The products on FirstWave's roadmap firstly prevent, and secondly detect and respond to security threats at an organisation's perimeter where its business operations meet the outside world i.e. through email, through web, through network access i.e. firewall, and through the end user device or end point e.g. the PC, Mac or mobile device.

The problem is cyber threats, it is global and it was estimated to have resulted in $840BN of economic loss in 2018.

The money being spent to mitigate these risks is gigantic – $240B in 2018 and growing. The niche market FirstWave addresses is estimated at $14BN and also growing.

This market has been dominated by global security vendors such as Cisco, Palo Alto Networks and Fortinet. They have traditionally provided enterprise grade products, called security appliances that are typically deployed as physical hardware servers with bundled-in software. They sit in racks inside data centres through which all traffic into and out of the perimeter passes and is tested for its integrity. As such they are expensive to buy, to implement and to manage, and have therefore been affordable primarily only to the larger enterprise customer. The rest have cobbled together solutions from a myriad of smaller vendors and run the gauntlet of bad actors in the cyber security ecosystem. That's why there has been such a huge global economic loss. Frankly, the global user community deserves better!

Enter FirstWave's CCSP - a solution to this problem.

CCSP is strategically and technically a very clever software based security platform hosted in public clouds like AWS or private clouds like Telstra's CSX and available to customers on a pay-as-you-go or subscription basis.

There are six attributes of CCSP that could be seen as underpinning FirstWave's global opportunity.

Firstly, virtualisation.

Virtualisation takes the global security vendors' market leading, enterprise strength hardware security appliances, converts them to software and puts them in the cloud removing all the logistics and cost of deploying and managing hardware.

Secondly, multi-tenanting.

Through CCSP's clever pooling and slicing technology, the now virtualised security appliances are made multi-tenant rather than single-tenant which means multiple customers can share one appliance rather than each customer consuming a whole appliance. The result - vendor licence costs can be spread across multiple end user customers, not just one customer, dramatically lowering the cost per user organisation.

Thirdly – management through a 'single pane of glass'.

CCSP's single management interface or 'single pane of glass' allows all these different virtualised appliances to be managed through one consistent operator interface. This revolutionises the economics for security service providers e.g. Telcos, Managed Security Services Providers (MSSP) or Global Systems Integrators, who provide these services to their end user customers.

Fourthly, CCSP is unique

The Company can't find anyone anywhere in the world doing what FirstWave is doing. Could someone do it – of course, but it would take some real smarts, some real money and some real time to do so, and in any case who would want to – not the global security appliance vendors. They're not about to provide multi-tenant appliances and an operational interface that allows competitive vendor products onto the platform; not Telcos whose businesses are preoccupied with transformation challenges and who have redirected product R&D to other programs; and certainly not end users. It would be other organisations like FirstWave and we can't find any – but more relevantly, nor can Firstwave's partners.

Fifthly, CCSP is strategically positioned with sustained competitive differentiation.

Sitting in the middle of FirstWave's go-to-market partners' solution sets, as long as its functionality continues to expand, CCSP is very hard to remove and relatively easy to add to – fries with that sir is the analogy that comes to mind.

And finally, taking it to market leverages its partners' existing go-to-market infrastructure and investment.

As such, CCSP is a huge disruptor to the traditional provision of email, web, firewall and end-point security services.

But, very cleverly, it does so without competitive conflict - with anyone.

The global security vendors (GSVs) still receive licence revenue for their security technologies to a much expanded, newly accessible small to medium business (SMB) segment of the market; Telcos and MSSP's integrate CCSP into their billing systems and their other cloud offerings, manage them through one operational interface and offer them at price points that open up new revenue streams; and end user customers get enterprise grade security of their perimeter for a low monthly or annual subscription.

This is a huge and rare win-win-win!

And what of our partners? The Company has made many announcements related to new partners – Cisco obviously, but also NTT Data, SHELT and DWS – all Level 1 Partners for FirstWave – Level 1 because they command access to a significant channel through their partners to end user customers.

Because revenue has not flowed quickly after these announcements there is potential for their significance to be discounted. This is absolutely not the case and David is going to talk to the commitment each of them is making to FirstWave to give you a sense of how they see the opportunity.

So your investment is building a global business accessing a Total Addressable Market estimated at $14BN with unique technology that is complementary to, not competitive with our partners' products and offerings, is sustainably competitive over the long run, and leverages a route to market that is global, that already exists and that FirstWave doesn't fund.

It could reasonably be argued that this combination of attributes is a great formula for success.

But it takes time and money – more than thought but no more than that of similar companies based in Australia accessing a global market – and while I know longer term shareholders don't want to hear this, it is a fact that the Company's future value is vested in international revenues not domestic revenues, and that the work of the last 18 months in generating these international revenues only started coming to fruition this financial year – so I argue it's early days, but appreciate this doesn't necessarily wash with many.

So let me now turn to the four concerns that have been expressed by shareholders.

Firstly cash burn and by the way, I hate that term – it implies wasting money which is precisely what we're not doing. Last year investment exceeded revenue by around $1M per month on average - $21M of investment against $9M of revenue – and we continued to track at around this rate in Q1. Note that we have a large lump of prepaid income in April from our largest customer that skews cashflow numbers provided in the quarterly 4C returns.

That investment is laid out over 80 people across the business with 67 engaged in delivering the solution to our partners and their customers. We have taken steps this week to reduce investment levels by approximately $2M annualised or $1.3M in the current year. To realise this and in line with where we see the more significant opportunity, we have taken a strategic decision to focus product development in the second half on CCSP for Cisco and only existing products on CCSP. New products we'd planned for CCSP will be put on hold for the balance of this year.

Secondly to new capital. Taking into account our forecasts for revenue, the receipt of the annual prepayment from a major customer in Q3 and the in-year reduction in investment of $1.3M, the maths says the Company will have sufficient funds to support its operations through the full FY20 financial year. That is not to say we won't be in market again, but we do not anticipate that will be in Q3.

Thirdly to revenue timing and quantum. My position to date has been that given the partner centric go-to-market puts FirstWave one or two steps away from the end customer, it is not possible for us to accurately or responsibly forecast revenue. Rather it is a 'numbers game' - expanding the number of partners in our channel to market will ultimately build momentum and deliver significant revenue growth. This is why in recent updates we've specifically provided shareholders with more detail on how FirstWave is tracking its partners on their 'Path to Revenue'. But again, while we think shareholders will appreciate this, the reality is the share price, and it is saying greater confidence is needed on future revenue.

Shareholders may recall that in recent presentations we've spoke about having line of sight through existing Tier 1 Partners to $45M in annualised recurring revenue (ARR). What we are now able to say is that we have line of sight over five to seven international partners with the potential to deliver June 2020 exit international ARR of $3M. This compares with Q1's $58,000.

This is very significant and David will expand on this for you.

Let me stress however, that this is not guidance. It is however an informed view of immediate opportunity and as you might imagine, given the disappointment that has flowed from previous revenue targets, there was a good deal of soul-searching done in deciding to share this with you now, but we see there is a very specific difference on this occasion – this can be directly referenced to very specific partner pipeline not a general market. We are closer than FCT has ever been to securing recurring International revenue and if it does not come exactly in this timing or quantum, we believe it will come. This has always been and remains the plan.

Domestically, revenue is likely to be a different story particularly in the first half of FY2020 where we expect revenue will be down on the prior year.

David will discuss this further but suffice to say the new campaigns we are jointly working on with Telstra provides the foundation for a very strong trajectory in the 2nd half.

Let me now move to the last point – operational execution. Always critical, this is more so right at the moment given the number of opportunities we have in the pipeline and the reduction in investment levels. It needs more and dedicated focus. To this end, we are restructuring the organisation:

a. To give greater focus and leadership internally, David has approached me and we have reached a mutual agreement that will see him step down from the CEO role and take up the role of COO from today. He will say more on this in a moment but this change will ensure he applies all his time and attention and have full accountability for all operations of the business and, in the main, cease his external market facing activities. To fill this gap I will continue in the role of Executive Chairman for the balance of the financial year. We will leave the CEO role unfilled as there is an argument to say that as the company's revenues grow as we have projected, this role may best international facing. In any case we will wait for the right time to make that decision.

b. To ensure we maximise the revenue opportunity, current COO Neil Pollock will move into the role of Chief Revenue Officer narrowing his focus to product management and marketing, and global sales based out of Singapore.

c. And finally, our current CFO Jason Singh has advised his intention to resign his position as CFO effective the 28th of February 2020. Jason has made a positive contribution to FirstWave and we wish him well for the future. The company will now consider its options in relation to a replacement within the timetable of Jason's departure. This change will enable us to further review the corporate overhead structure ensuring it is appropriate for our size and scale.

These changes target the best resources we have at the greatest opportunity for success.

So, to summarise:

a. In a world where nothing is certain but where diligent analysis provides the best guide, I am as confident as I can be that FirstWave's CCSP technology stacks up as a global player in a $240BN marketplace

b. Our International partner channels are opening and the short to medium term pipeline provides specific line of sight to international ARR in June of $3M

c. We have taken steps to reduce cash burn and expect to see $1.3M of benefit in the current year

d. The board will continue to pursue options to strengthen the company's balance sheet, but we have operational funding through to June 2020, and

e. We have restructured the organisation to direct our best resources to the areas of greatest opportunity.

In closing, let me acknowledge Sam Saba. Sam has indicated his need to retire in December to more effectively balance the international full-time role he has with another organisation. The Company has accepted this and thanks him for the dedication he has shown. Sam would you like to say a few words?

Thanks Sam. Let me now hand over to the Company's CEO, Mr David Kirton, to provide his insights.

– ENDS –

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<u>About FirstWave Cloud Technology Limited (FirstWave)</u>

Australian cloud technology company, FirstWave, has delivered Security as a Service (SaaS) solutions since 2004. FirstWave provides safety through the most accessible and adaptive cloud-based cyber-security solutions that are affordable, easy and fast to implement enabling SaaS. Its unique proprietary cloud-platform orchestration is available for service providers and enterprises of any size, anywhere. In an increasingly vulnerable digital world, FirstWave believes that safe business is good business and that all companies should have access to enterprise-quality cyber-security. FirstWave's infrastructure, management and security processes are certified to ISO 27001 Information Security Management System Standard and ISO 9001 Quality Management System Standard.